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INDIAN TARIFF BOARD

Match Industry

Volume III

The Written and Oral evidence given by
the Swedish Match Company, Bombay.



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
1929

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No. 235-T. (14).

GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

Simla, the 2nd October 1926.

RESOLUTION.

TARIFFS.

The present rate of duty on matches imported from abroad is Re. 1-8-0 per gross, which represents a duty of more than 100 per cent. *ad valorem*. The duty was raised to the above figure purely as a revenue measure, and the Government of India have consistently rejected requests from manufacturers in India that the duty should be declared a protective duty. Nevertheless, a high revenue duty naturally has a protective effect, and since 1922, when the present duty was imposed, numerous match factories have been established in India, some of them using indigenous woods, and others wood imported in the log from abroad. Concurrently, there has been a progressive decline in the customs revenue derived from matches. This revenue amounted to Rs. 154 lakhs in 1922-23 and Rs. 138 lakhs in 1923-24, but in 1925-26 it amounted (inclusive of the revenue from splints and veneers) only to Rs. 118 lakhs. As the Indian factories overcome technical difficulties and attain their full production, the decrease in customs revenue is likely to become more serious.

2. In these circumstances, the Government of India consider that the whole position requires investigation, and they have decided to entrust this task to the Tariff Board. The first point for enquiry is whether the three conditions laid down in paragraph 97 of the Report of the Indian Fiscal Commission are satisfied in the case of the match industry in India, and whether the industry should be protected. If the answer to this question is in the affirmative, the Tariff Board will report at what rate the import duty should be fixed in order to give the industry the protection it requires and whether alternative measures of protection could suitably be adopted. If the answer is in the negative, the Government of India theoretically will be free to lower the import duty on matches in the interests both of the consumer and their own revenue from this source. But the Tariff Board will report to what extent vested interests have been created in India as the result of the present rate of duty, how far those vested interests require consideration and what prospect there is of the match industry in India establishing itself, if the present rate of duty is maintained.

If the Tariff Board decides that consideration must be paid to the industry brought into existence by the present rate of duty and that the duty should be maintained at the present figure, or approximately at the present figure, it will further report whether the loss of customs revenue can be made up in whole or in part by any other appropriate form of taxation of the industry. In this connection, the attention of the Board is drawn to the remarks of the Honourable Commerce Member on the 24th March, 1924, in the Council of State. Generally the Tariff Board will investigate the whole question and make such recommendations as seem germane to the subject.

ORDER.—Ordered that a copy of the above Resolution be communicated to all local Governments and Administrations, all Departments of the Government of India, the Director General of Commercial Intelligence and Statistics, the Indian Trade Commissioner in London and the Secretary, Tariff Board.

ORDERED also that it be published in the *Gazette of India*.

Press Communiqué issued by the Tariff Board on the 29th November 1926.

In the Resolution of the Government of India in the Commerce Department, No. 235-T. (14), dated the 2nd October 1926, the Indian Tariff Board was directed to investigate the question of granting protection to the Match Industry in India.

2. The Board has been instructed to examine the whole position of the industry but its attention has been specially drawn to the following points. Firstly, whether the three conditions laid down in paragraph 97 of the Report of the Indian Fiscal Commission are satisfied in the case of the Match Industry in India, and whether the industry should be protected. Secondly, if the industry satisfies these conditions and is to be protected, the amount of protection required and the methods by which such protection should be given. Thirdly, if the Board finds that the industry does not satisfy the conditions laid down in the Fiscal Commission's Report, whether it is necessary, in view of any vested interests which may have been created as a result of the present revenue duty, to maintain the duty at the present figure or at approximately the present figure; and if so, whether the loss of customs revenue, which is likely to result from the expansion of the industry in India, can be made up in whole or in part by any other appropriate form of taxation of the industry.

3. Any persons or firms who desire to claim protection for the industry in India or who consider that the present rate of duty *qua* revenue duty should be maintained, are requested to submit to the Tariff Board a full statement of the grounds on which they do so. Persons or firms who claim protection should state *inter alia* the grounds on which the industry can be considered to fulfil the conditions laid down by the Fiscal Commission, and whether any protection which may be found necessary should be given by means of protective duties or in any other form. In the case of those who desire that the present rate of duty should be maintained in view of any vested interests which may have been created, the nature and extent of such interests and their grounds for thinking that the match industry has a fair prospect of establishing itself in India, should be fully set forth.

4. All representations (with six spare copies) must be addressed to the Secretary and reach the office of the Board at No. 1, Council House Street, Calcutta, not later than the 31st December 1926. After their receipt, the Board will, if necessary, issue questionnaires. The representations, the questionnaires and the replies thereto will then be printed and published, and the opinions, in writing, of those who wish to support or oppose the claims made will be invited. The dates for the oral examination of witnesses who wish to appear before the Board for that purpose will be subsequently fixed.

Questionnaire issued by the Tariff Board on the 7th March 1927.

INTRODUCTORY.

1. When was the firm which you represent established? Is it a public or private registered Company, or is it an unregistered firm?
2. To what extent is the capital invested in your firm held by Indians? What is the total number of Directors and how many are Indians? How many Europeans are employed and in what capacities?
3. Does your firm undertake the manufacture of splints and veneers only or of matches and match boxes from splints and veneers made elsewhere, or do you undertake the whole process of manufacture?
4. At what date did the factory under the control of your firm commence to manufacture?
5. What is the full capacity of your factory as at present equipped for the manufacture of matches and boxes?
6. Please give the dimensions of the match boxes manufactured by you and the average number of matches in each?
7. What has been the actual output of your factory for each of the last eight years?
8. Where is your factory situated? Do you consider it is advantageously situated in respect of—
 - (a) vicinity to the areas from which your principal raw materials are drawn;
 - (b) vicinity of fuel supply or other sources of power;
 - (c) vicinity to an important market;
 - (d) other considerations such as the existence of an abundant labour supply?

What do you consider the most important factor in selecting the site of a match factory in India?

9. (a) It has been stated that Indian manufactured matches are inferior to imported matches? Do you agree with this view? If so, please state in what respects Indian matches fall short of the standard of imported matches?
- (b) Is there any prejudice apart from the question of quality against Indian matches either generally or in particular markets?
- (c) What difference in price in your opinion represents a fair measurement of the difference in quality or would be sufficient to overcome the prejudice against Indian matches?

RAW MATERIALS.

Wood.

10. The principal raw material for the manufacture of matches and boxes is wood. Have you found it necessary to import wood for the manufacture of—

- (a) splints;
- (b) veneers;
- (c) packing cases?

If so, from what countries do you import and at what prices?
If possible give—

- (1) f.o.b. price per customary unit (in sterling);
- (2) port of importation;

- (3) freight, insurance, etc.;
- (4) landing charges;
- (5) transport charges to factory;
- (6) duty.

11. If Indian wood is used, please specify the kinds of wood used in the manufacture of—

- (a) splints;
- (b) veneers;
- (c) packing cases.

Note.—Both the botanical and the local names should be given.

12. Have you found Indian wood as satisfactory as imported wood for the manufacture of—

- (a) splints;
- (b) veneers;
- (c) packing cases?

If not, in what respects do you consider it inferior to imported wood?

13. What are your annual requirements of wood—

- (a) according to your present rate of output which should be stated?
- (b) according to the rate of output equivalent to the full capacity of the plant?

14. What quantity of wood is required for the manufacture of one hundred gross of boxes of finished matches?

15. What is the standard size of the packing case used by you? What quantity of wood is required for one packing case and how many gross boxes of matches can be packed in each case?

16. From what area or areas does the factory draw its main supplies of wood and at what distance from the factory are they situated? If possible, a map should be given showing the site of the factory and the areas from which supplies are drawn.

17. By what agency are the required trees felled and by what means are they transported from the forest to the factory?

18. What royalty is paid to Government or private persons for the wood extracted?

19. Please give the cost per 50 cubic feet delivered at the factory for the last four years under the following heads:—

- (1) Royalty.
- (2) Labour employed on extraction.
- (3) Freight to factory.
- (4) Miscellaneous charges.

20. What are the terms of your concession (if any) for the extraction of wood? Do you consider these terms favourable? If not, in what respect do you consider them unfavourable? Please supply a copy of your license or concession.

21. Have you found the supply of wood constant in respect of quality or have you noticed any deterioration? In the later case, please explain the causes of deterioration.

22. Has the supply of wood been found constant in respect of quantity or has it been found necessary to draw supplies from greater and greater distances as time goes on? If so, do you consider the fact due to—

- (a) an increase in the output of the factory;

- (b) the establishment of other match factories which compete for the supplies of the same raw material;
- (c) a gradual diminution of the supplies from the areas from which they are taken;
- (d) any other cause?

23. If it has been found necessary to draw supplies from new areas, please state the total quantity taken from each area for the last four years. If possible, the cost per 50 cubic feet delivered at the factory of the wood supplied from each area should be given for each year.

24. Do you consider that your factory is assured of a sufficient supply of suitable wood for a reasonably long period? What measures have been taken to secure this object? In particular, have steps been taken to plant trees of a kind suitable for the match-making industry within a reasonable distance of your factory?

25. Do you receive any special concession in the matter of freight by sea, river or rail for wood required in your factory? Do you consider that you are at any disadvantage in this respect?

Other raw materials.

26. What raw materials other than wood are required in your factory and what is the total requirement of each in one year?

27. What quantity of each of these materials is required per 100 gross of boxes of matches?

28. Which of these materials are—

A.—Imported from abroad.

B.—Manufactured and purchased in India.

C.—Manufactured by you from other materials?

In case A, please give—

- (a) country of origin,
- (b) f.o.b. price (in sterling),
- (c) port of importation,
- (d) freight, insurance, etc.,
- (e) landing charges,
- (f) transport charges to the factory, and
- (g) customs duty.

In case B, please give—

- (a) market price, and
- (b) transport and other charges,

and state where and by whom the materials are manufactured.

In case C, give particulars asked for under A or B for the materials purchased and the cost of manufacture by you according to the customary unit of production.

29. Which of the materials mentioned in the answer to question No. 26, if not already manufactured in India, are—

- (a) likely to be manufactured,
- (b) not likely to be manufactured.

Please give reasons for your reply.

LABOUR.

30. Is there any difficulty in securing sufficient labour for the extraction?

31. To what extent is the employment of skilled labour imported from abroad, necessary?

32. What number of imported labourers do you employ and what is their pay?

33. What progress has been made since the factory was established in the substitution of Indian for imported labour? What facilities are given to Indian workmen to acquire training in skilled work?

34. What is the total number of Indian workmen employed; how many of them are women and children; and what are the average rates of wages of the different classes?

35. Is the Indian labour drawn from the vicinity of the factory or from other parts of India?

36. Has it been found that the Indian labourer improves with training? Have you any record of output in your various departments which would indicate such improvements?

37. What arrangements have been made for housing your labour and for promoting its welfare in other directions?

POWER.

38. Is the power used in the factory derived from electricity or steam, or from some other source?

39. If electric power is used, from what source is it obtained and what is the cost per unit? How does the cost compare with the rates obtained elsewhere in India and in other countries?

40. If steam power is used, is coal the fuel employed? If not, what is the fuel? Is the latter available in sufficient quantities?

41. What is the total quantity of fuel required per unit of output whether for power production or for the other purposes?

If you purchase electric current from an outside supply, please give also the number of units required per unit of output in addition to the fuel used.

42. From what distance is the fuel brought, and what is the free-on-truck price in the case of coal, and in the case of other fuel at the source of supply? And what is the cost of transport per ton in each case? If fuel is purchased locally, what is the price per ton delivered at the factory?

43. If your fuel is wood, are you able to meet the whole of your requirements from waste wood in your factory? If not, have you obtained any concession from the Government or other person? What is the royalty payable, and what are the conditions of the concessions? (Supply a copy of your concession.)

MARKET.

44. If possible give an estimate of the total Indian demand for matches.

45. Is the demand likely to increase substantially in the near future? If your answer is in the affirmative, please state your reasons.

46. In what parts of India are your principal markets situated and what are the distances which separate them from the factory?

47. Are there any markets in India in which owing to their distance from the ports, you are more easily able to compete against the foreign manufacture? If so, please state which these markets are and the approximate demand in each?

48. (a) To what extent is the market served by imported matches distinct from that served by matches manufactured in India?

(b) Have you any reason to suppose that there is any illicit importation of matches into India?

COMPETITION.

49. Which are the foreign countries from which competition in the Indian markets is keenest?

50. With the existing duty do imported matches compete with Indian matches manufactured from indigenous woods or only with Indian matches manufactured from imported woods?

51. Please state—

- (1) the price at which imported matches entered the country and had been sold during each of the years 1918-22 and 1922-26;
- (2) the prices realized in the same years for your matches made from Indian wood;
- (3) the prices realized for Indian matches manufactured from imported wood.

If possible the *f.o.b.* price in sterling of imported matches should be given and the following items shown separately:—

- (1) freight;
- (2) insurance and trade charges;
- (3) customs duty;
- (4) landing charges.

If this is not possible, then state the *c.i.f.* price *plus* customs duty and landing charges.

52. From what sources is information obtainable as to the prices at which imported matches enter the country?

53. Have you any reason to suppose that prices at which foreign producers sell for export to India (a) are unremunerative or (b) leave only a small margin of profit to the producer, or (c) are exported at a price below the lowest price current in the home market? If so, please state fully your reasons and the evidence on which you rely.

54. Do you consider that as compared with the foreign manufacturer the Indian manufacturer is at a disadvantage in all or any of the following points:—

- (a) cost of plant and machinery;
- (b) cost of expert labour;
- (c) cost and efficiency of ordinary labour;
- (d) the collection and transport of raw materials;
- (e) cost of stores;
- (f) freights on finished goods;
- (g) maintenance of stocks of spare parts or of wood;
- (h) customs duty on imported materials;
- (i) the raising of capital?

55. Which of the disadvantages mentioned in your answer to question No. 54 do you regard as permanent and which as temporary? For what period in your opinion are the temporary disadvantages likely to operate?

EQUIPMENT.

56. Do you consider that your mill is sufficiently large as an economic unit of production to ensure economy? What in your opinion is the smallest

unit of production which can be operated economically under present day conditions.

57. What percentage of your total capital outlay has been incurred on plant and machinery?

58. (a) Give a brief description of your plant and machinery, stating the number and makes of the principal machines operated, and the dates on which they were first brought into use.

(b) If your machinery has been purchased under any special arrangements with foreign manufacturers, please state in detail what these arrangements are?

59. (a) Do you consider your machinery and other equipment sufficiently up-to-date and efficient to enable you to compete successfully against the foreign manufacturer?

(b) What are the chief processes in the manufacture of matches and match boxes which are carried out by manual labour in your factory? Please give, if possible, an estimate of the relative cost of carrying out these processes by hand and by machinery under present conditions?

60. Do you contemplate either:—

(a) any important replacement of the existing plant in your mill, and

(b) any extension of the plant by the addition of new machinery?

If so, please give particulars?

61. What parts of the machinery, if any, are made in India?

CAPITAL ACCOUNT.

62. What is the block value of your property as stood in your books at the end of the last complete year for which figures are available, under the following heads:—

(a) Leases and concessions;

(b) Lands;

(c) Buildings;

(d) Plant and machinery;

(e) Other miscellaneous assets?

63. Do the figures given in answer to question No. 62 represent the actual cost of the various assets, or their value after depreciation has been written off? In the latter case, please state the total amount written off for depreciation since manufacture commenced, and in the former case the total of the depreciation fund (if any) which has been accumulated.

64. Apart from any question of an increase in the replacement cost of plant and machinery due to a general rise in the price level, are the sums actually set aside for depreciation since manufacture commenced equal to, greater than, or less than, the sums which ought to have been set aside according to the rates of depreciation which you consider suitable?

65. What do you estimate would be the present-day cost under the heads (a) buildings and (b) plant and machinery, of erecting a factory having the same output as your present factory? How does the figure compare with the block value of your present factory under the same heads, and would the operating cost of a new factory established now be greater or smaller than yours?

66. Give brief particulars of the sums spent on the purchase of plant and machinery in each of the years 1917 to 1926, and the rate of exchange at which funds were remitted.

- (b) the establishment of other match factories which compete for the supplies of the same raw material;
- (c) a gradual diminution of the supplies from the areas from which they are taken;
- (d) any other cause?

23. If it has been found necessary to draw supplies from new areas, please state the total quantity taken from each area for the last four years. If possible, the cost per 50 cubic feet delivered at the factory of the wood supplied from each area should be given for each year.

24. Do you consider that your factory is assured of a sufficient supply of suitable wood for a reasonably long period? What measures have been taken to secure this object? In particular, have steps been taken to plant trees of a kind suitable for the match-making industry within a reasonable distance of your factory?

25. Do you receive any special concession in the matter of freight by sea, river or rail for wood required in your factory? Do you consider that you are at any disadvantage in this respect?

Other raw materials.

26. What raw materials other than wood are required in your factory and what is the total requirement of each in one year?

27. What quantity of each of these materials is required per 100 gross of boxes of matches?

28. Which of these materials are—

- A.—Imported from abroad.
- B.—Manufactured and purchased in India.
- C.—Manufactured by you from other materials?

In case A, please give—

- (a) country of origin,
- (b) f.o.b. price (in sterling),
- (c) port of importation,
- (d) freight, insurance, etc.,
- (e) landing charges,
- (f) transport charges to the factory, and
- (g) customs duty.

In case B, please give—

- (a) market price, and
- (b) transport and other charges,

and state where and by whom the materials are manufactured.

In case C, give particulars asked for under A or B for the materials purchased and the cost of manufacture by you according to the customary unit of production.

29. Which of the materials mentioned in the answer to question No. 28, if not already manufactured in India, are—

- (a) likely to be manufactured,
- (b) not likely to be manufactured.

Please give reasons for your reply.

LABOUR.

30. Is there any difficulty in securing sufficient labour for the extraction?

31. To what extent is the employment of skilled labour imported from abroad, necessary?

32. What number of imported labourers do you employ and what is their pay?

33. What progress has been made since the factory was established in the substitution of Indian for imported labour? What facilities are given to Indian workmen to acquire training in skilled work?

34. What is the total number of Indian workmen employed; how many of them are women and children; and what are the average rates of wages of the different classes?

35. Is the Indian labour drawn from the vicinity of the factory or from other parts of India?

36. Has it been found that the Indian labourer improves with training? Have you any record of output in your various departments which would indicate such improvements?

37. What arrangements have been made for housing your labour and for promoting its welfare in other directions?

POWER.

38. Is the power used in the factory derived from electricity or steam, or from some other source?

39. If electric power is used, from what source is it obtained and what is the cost per unit? How does the cost compare with the rates obtained elsewhere in India and in other countries?

40. If steam power is used, is coal the fuel employed? If not, what is the fuel? Is the latter available in sufficient quantities?

41. What is the total quantity of fuel required per unit of output whether for power production or for the other purposes?

If you purchase electric current from an outside supply, please give also the number of units required per unit of output in addition to the fuel used.

42. From what distance is the fuel brought, and what is the free-on-truck price in the case of coal, and in the case of other fuel at the source of supply? And what is the cost of transport per ton in each case? If fuel is purchased locally, what is the price per ton delivered at the factory?

43. If your fuel is wood, are you able to meet the whole of your requirements from waste wood in your factory? If not, have you obtained any concession from the Government or other person? What is the royalty payable, and what are the conditions of the concessions? (Supply a copy of your concession.)

MARKET.

44. If possible give an estimate of the total Indian demand for matches.

45. Is the demand likely to increase substantially in the near future? If your answer is in the affirmative, please state your reasons.

46. In what parts of India are your principal markets situated and what are the distances which separate them from the factory?

47. Are there any markets in India in which owing to their distance from the ports, you are more easily able to compete against the foreign manufacture? If so, please state which these markets are and the approximate demand in each?

48. (a) To what extent is the market served by imported matches distinct from that served by matches manufactured in India?

(b) Have you any reason to suppose that there is any illicit importation of matches into India?

COMPETITION.

49. Which are the foreign countries from which competition in the Indian markets is keenest?

50. With the existing duty do imported matches compete with Indian matches manufactured from indigenous woods or only with Indian matches manufactured from imported woods?

51. Please state—

- (1) the price at which imported matches entered the country and had been sold during each of the years 1918-22 and 1922-26;
- (2) the prices realized in the same years for your matches made from Indian wood;
- (3) the prices realized for Indian matches manufactured from imported wood.

If possible the *f.o.b.* price in sterling of imported matches should be given and the following items shown separately:—

- (1) freight;
- (2) insurance and trade charges;
- (3) customs duty;
- (4) landing charges.

If this is not possible, then state the *c.i.f.* price plus customs duty and landing charges.

52. From what sources is information obtainable as to the prices at which imported matches enter the country?

53. Have you any reason to suppose that prices at which foreign producers sell for export to India (a) are unremunerative or (b) leave only a small margin of profit to the producer, or (c) are exported at a price below the lowest price current in the home market? If so, please state fully your reasons and the evidence on which you rely.

54. Do you consider that as compared with the foreign manufacturer the Indian manufacturer is at a disadvantage in all or any of the following points:—

- (a) cost of plant and machinery;
- (b) cost of expert labour;
- (c) cost and efficiency of ordinary labour;
- (d) the collection and transport of raw materials;
- (e) cost of stores;
- (f) freights on finished goods;
- (g) maintenance of stocks of spare parts or of wood;
- (h) customs duty on imported materials;
- (i) the raising of capital?

55. Which of the disadvantages mentioned in your answer to question No. 54 do you regard as permanent and which as temporary? For what period in your opinion are the temporary disadvantages likely to operate?

EQUIPMENT.

56. Do you consider that your mill is sufficiently large as an economic unit of production to ensure economy? What in your opinion is the smallest

unit of production which can be operated economically under present day conditions.

57. What percentage of your total capital outlay has been incurred on plant and machinery?

58. (a) Give a brief description of your plant and machinery, stating the number and makes of the principal machines operated, and the dates on which they were first brought into use.

(b) If your machinery has been purchased under any special arrangements with foreign manufacturers, please state in detail what these arrangements are?

59. (a) Do you consider your machinery and other equipment sufficiently up-to-date and efficient to enable you to compete successfully against the foreign manufacturer?

(b) What are the chief processes in the manufacture of matches and match boxes which are carried out by manual labour in your factory? Please give, if possible, an estimate of the relative cost of carrying out these processes by hand and by machinery under present conditions?

60. Do you contemplate either:—

(a) any important replacement of the existing plant in your mill, and

(b) any extension of the plant by the addition of new machinery?

If so, please give particulars?

61. What parts of the machinery, if any, are made in India?

CAPITAL ACCOUNT.

62. What is the block value of your property as stood in your books at the end of the last complete year for which figures are available, under the following heads:—

(a) Leases and concessions;

(b) Lands;

(c) Buildings;

(d) Plant and machinery;

(e) Other miscellaneous assets?

63. Do the figures given in answer to question No. 62 represent the actual cost of the various assets, or their value after depreciation has been written off? In the latter case, please state the total amount written off for depreciation since manufacture commenced, and in the former case the total of the depreciation fund (if any) which has been accumulated.

64. Apart from any question of an increase in the replacement cost of plant and machinery due to a general rise in the price level, are the sums actually set aside for depreciation since manufacture commenced equal to, greater than, or less than, the sums which ought to have been set aside according to the rates of depreciation which you consider suitable?

65. What do you estimate would be the present-day cost under the heads (a) buildings and (b) plant and machinery, of erecting a factory having the same output as your present factory? How does the figure compare with the block value of your present factory under the same heads, and would the operating cost of a new factory established now be greater or smaller than yours?

66. Give brief particulars of the sums spent on the purchase of plant and machinery in each of the years 1917 to 1926, and the rate of exchange at which funds were remitted.

67. What is the total (a) authorized, (b) subscribed, (c) paid-up, capital of the Company? How is it divided between Preference, Ordinary and Deferred shares?

68. At what rate of interest is the dividend payable on the Preference shares? Are these shares entitled to cumulative dividends? If so, state the dates on which they were first entitled to rank for dividends and whether any dividends are in arrears?

69. Under what conditions do the Deferred shares participate in the profits of the Company?

70. Please prepare a statement showing for each year since the establishment of the Company:—

- (a) the amount of the paid-up share capital (Preference, Ordinary and Deferred) ranking for dividend;
- (b) the actual amounts distributed as dividends on each class of capital, and
- (c) the percentage on the paid-up share capital of each class which the dividend represented.

71. What is the average rate of dividend on the Ordinary shares for the full period?

72. What is the amount of the debenture loans (if any) raised by the Company? At what dates were they issued, and what is the rate of interest payable? If any period has been fixed for the redemption of the debenture loan, it should be stated. Similarly, if a debenture sinking fund has been established, the annual rate of contribution should be given.

73. What is the amount of the Reserve Fund (if any) created by the Company? Has this amount been accumulated from surplus profits, or from other sources, *e.g.*, by the issue of shares at a premium?

74. What additional capital (if any) would it be necessary to raise in order to carry out any scheme of replacement or extension of plant which the Company contemplate?

WORKS COST.

75. Please fill up the two forms annexed to the questionnaire regarding works costs?

NOTE.—The Board are anxious to have as full information as possible regarding the cost of production, but they recognise the difficulty which manufacturers may feel in disclosing to the public the details of their practice and their works costs. Great stress was laid on the importance of publicity in paragraph 303 of the Fiscal Commission's Report, and the Board also have explained the views they hold in paragraph 41 of their Third Report on the Grant of Protection to the Steel Industry. It rests with the manufacturers themselves to decide what information can be given publicly, and nothing will be published which the witness desires to be treated as confidential. At the same time, the Board cannot base their recommendations merely on confidential information. The publication of the details of the works costs of each firm may not be essential because the Board may be able by comparison of the various figures submitted to arrive at a standard or average figure for each item. But it is very desirable that the total of the works costs should be disclosed in all cases.

76. Was the works cost increased in any of the years for which figures have been given owing to the fact that the factory was working at less than its full capacity? If so, which were the items principally affected? To what extent would they probably have been reduced if a full output had been obtained?

77. Have you adopted a system of cost accounting? If so, will you place before the Board, for examination and return, your cost sheets for the last complete year for which they have been prepared?

78. Are you in a position to furnish the Board with information as to the works cost of matches in any competing country for any year since the war?

OVERHEAD CHARGES.

(i) *Depreciation.*

79. What are the rates of depreciation allowed by the Income-tax authorities? Do you consider that, in calculating the cost of production of matches, these rates of depreciation are suitable? If not, what rates do you suggest, and why?

80. What is the sum required annually for depreciation at Income-tax rates on the total block account—

- (a) if the assets are valued at cost,
- (b) if the assets are taken at their value after deducting all depreciation written off up-to-date?

(ii) *Working Capital.*

81. What is the working capital which the Company requires—

- (i) according to its present output;
- (ii) according to the output equivalent to its full capacity?

82. Is the Company able to provide all the working capital it requires from share and debenture capital, or is it necessary to borrow additional capital for this purpose?

83. If additional working capital has to be borrowed, what is the amount borrowed and the rate of interest payable?

84. Compare the working capital with the cost of one month's output (works cost only, excluding overhead charges).

85. What is the average value of the stocks of finished goods held by the Company? What period normally elapses between production and payment?

86. Do the Company find it necessary to hold large stocks of coal or raw materials? If so, the average value of the stocks held should be stated.

(iii) *Agents' Commission and Head Office Expenses.*

87. Has the Company a head office other than the office of the local management? Is it under the control of a firm of Managing Agents?

88. If the answer to (a) is in the affirmative, state—

- (i) the annual amount of the head office expenses,
- (ii) the Agents' Commission.

89. How is the amount of the Agent's commission determined?

90. What is the amount of—

- (i) Head office expenses,
- (ii) Agent's commission,

per gross of finished matches according to—

- (i) the present output;
- (ii) the output equivalent to the full capacity of the plant?

MANUFACTURER'S PROFITS.

91. What rate of dividend do you consider a fair return on ordinary and deferred shares?

92. If your Company contemplated the establishment of a new match factory, or the purchase of new machinery for the existing factory—whether by way of extension or replacement—what rates of interest do you consider it would be necessary to offer on (a) Preference shares and (b) Debentures in order to attract capital, assuming that the profits made in the industry showed a substantial margin after providing the interest on the existing shares or debentures?

93. If it were decided to issue ordinary shares, what do you consider would be minimum probable return which would be likely to attract investors?

CLAIM FOR PROTECTION.

94. In paragraph 97 of their Report, the Fiscal Commission laid down three conditions which in ordinary cases ought to be satisfied by industries claiming protection. Do you consider that these conditions are satisfied in the case of the Match Industry? And in particular:—

A.—Do you claim that the industry possesses natural advantages, such as an abundant supply of raw materials, cheap power, a sufficient supply of labour or a large home market?

B.—Do you claim that, without the help of protection, the industry is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country?

C.—Do you claim that the industry will eventually be able to face world competition without protection?

These conditions have been approved by the Government of India and by the Legislative Assembly, and it is therefore of great importance to ascertain whether they are satisfied. If you consider that the Match Industry fulfills these conditions the reasons for your opinion should be fully explained.

95. Do you claim that the Match Industry satisfied either or both of the conditions mentioned in paragraph 98 of the Fiscal Commission's Report, viz.—

(a) That the industry is one in which the advantages of large scale production can be achieved, and that increasing output would mean increasing economy of production.

(b) That it is probable that in course of time the whole needs of the country could be supplied by the home production.

96. Do you consider that there are any features of the industry which make it peculiarly suitable to Indian economic conditions?

97. What is the amount of protection the industry receives at present owing to—

(a) the existing Customs duties,

(b) transport charges between the country of production and the port of entry, i.e., freight, insurance, trade charges and landing charges?

98. What is the amount of the protection which you consider necessary?

NOTE.—The reasons for proposing the particular rate recommended should be explained.

99. Do you recommend any form of assistance other than a protective duty? If so, your reasons should be stated.

FORM I.—Statement showing total expenditure on the production of Matches during the last four years.

(See question 75.)

	1922-23.	1923-24.	1924-25.	1925-26.
1. Cost of wood for splints and veneers.				
2. Cost of paper				
3. Cost of chemicals				
4. Cost of other raw materials				
5. Factory labour				
6. Power and fuel				
7. Ordinary current repairs and maintenance of buildings, plant and machinery.				
8. General services, supervision and local office charges.				
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.				
10. Cost of packing cases				
Total				
Total production of Matches for the year.				

FORM II.—Statement showing works cost per gross of Matches.

(See question 75.)

	1922-23.	1923-24.	1924-25.	1925-26.
1. Cost of wood for splints and veneers.				
2. Cost of paper for labels and wrapper.				
3. Cost of chemicals				
4. Cost of other raw materials				
5. Factory labour				
6. Power and fuel				
7. Ordinary current repairs and maintenance of buildings, plant and machinery.				
. General services, supervision and local office charges.				
* Miscellaneous, e.g., rent, municipal taxes, insurance, etc.				
10. Cost of packing cases				
Total				
Credit for materials recovered (if any).				
Net Total				
Total production of Matches for the year.				

Mandalay Match Company, Ltd., Rangoon.*Letter dated the 18th March 1927.*

We refer to yours No. 209, calling upon us to give evidence before the Board and to submit reply to the Board's questionnaire. In reply we have to refer to the arrangement made between you and our Managing Director, Mr. S. Schele, of Bombay, as per which he will, in these matters, act on behalf of this Company.

Burma Match Co., Ltd., Rangoon.*Letter dated the 18th March 1927.*

We refer to yours Nos. 194, 207 and 226, calling upon us to give evidence before the Board and to submit reply to the Board's questionnaire. In reply we have to refer to the arrangement made between you and our Managing Director, Mr. S. Schele, of Bombay, as per which he will, in these matters, act on behalf of this Company.

Western India Match Co., Ltd., Calcutta.*Letter dated the 19th March 1927.*

We duly received your letter No. 209, dated Rangoon, the 7th instant. In the meantime we have referred the matter to our Head Office in Bombay, who will answer your questionnaire.

The Assam Match Co., Ltd., Dhubri.*Letter dated the 24th March 1927.*

This merely serves to advise that your questionnaire has been forwarded to our Managing Director in Bombay with the request that he will kindly communicate with you direct in the matter.

The Swedish Match Company.

A.—WRITTEN.

(1) Letter dated the 8th April 1927.

As indicated on previous occasions we have no case to state, and the object of the present is only to give you our experience in India. We have not been in a position to answer all your questions, but trust that you will have sufficient material coming forward on such points from other sources to complete your records.

The undersigned desires to be heard in camera and for that reason our reply to the questionnaire should be looked upon as confidential* and as not being meant for publication.

* This stipulation was subsequently withdrawn.

Replies to questionnaire.

INTRODUCTORY.

1.

The Western India Match Company, Limited	7th September 1923.
The Burma Match Company, Limited	8th May 1925.
The Mandalay Match Company, Limited	27th July 1925.
The Assam Match Company, Limited	15th October 1925.
The Kemmendine Match Company, Limited	23rd February 1925.
The Match Manufacturing Supply Company, Limited.	21st August 1924.

All are private registered Companies except the Assam Match Company, Limited, which is a public registered Company.

2. In the Assam Match Company, Limited, 2 lakhs of the total capital of 5 lakhs, and the Burma Match Company, Limited, 1 lakh of a total of 7,31,500 are held by Indians. The balance in these two Companies, except 10,000 in the Burma Match Company, Limited, and all the shares in the other Companies are being held by the Swedish Match Company. The total number of Directors and the number of Europeans employed are given below :—

	Total Directors.	Indian Directors.	European Employed.
Western India Match Company, Limited	2	...	21
Burma Match Company, Limited	7	1	9
Mandalay Match Company, Limited	4	...	...
Assam Match Company, Limited	7	3	4

We are here leaving out the Kemmendine Match Company, Limited, and the Match Manufacturing Supply Company, Limited, as they are not manufacturing concerns. Apart from a Factory Manager, one or two Accountants depending on the size of the factory, all the Europeans are machinery experts and are required for the fitting and repairs of the machinery, training of labour and general supervision of the manufacturing.

3. The whole process of manufacture.

4. Please find the dates below as follows :—

Western India Match Company, Limited, Ambernath.	July 1924.
Western India Match Company, Limited, Calcutta.	September 1924.
Western India Match Company, Limited, Parel.	September 1926.
Assam Match Company, Limited	July 1926.
Burma Match Company, Limited	August 1925.
Mandalay Match Company, Limited	October 1925.

The last two were, however, bought by us as old match factories, and the Burma Match Company first commenced operations in 1910, and the Mandalay Match Company in 1914.

5. The approximate capacity of the different factories are as follows:—

Western India Match Company, Limited, Ambernath.	8,500 gross.
Western India Match Company, Limited, Calcutta.	5,000 „
Western India Match Company, Limited, Parel.	750 „
Assam Match Company, Limited	1,250 „
Burma Match Company, Limited	1,250 „
Mandalay Match Company, Limited	750 „

TOTAL . . . 17,500 gross per day.

In that connection it must be noted that the Mandalay and Parel factories have closed down.

6. Dimensions of boxes and number of sticks are as follows:—

A. 1/2 size 1 53/64" × 1 19/64" × 39/64"	60/65
B. 1/1 „ 2 21/64" × 1 15/32" × 23/32"	85/90

7. Output has been as follows:—

1924	231,000
1925	1,324,250
1926	3,302,350

8. Situation of factories is as follows:—

Ambernath, Great Indian Peninsula Railway.
Calcutta, 46/5, Canal East Road, Narkaldanga.
Parel, Bombay.
Dhubri, Assam.
Kanaung, Rangoon.
Mandalay.

It is not possible to obtain a position that is advantageous in every respect. Each site has its own advantages and drawbacks. The considerations (a), (c), and (d) we hold to be equally important factors in selecting a site for a match factory in India.

9. A. Yes, Indian matches are inferior and fall short of the standard of imported matches in nearly every respect. In some factories the difference is small, in others larger.

B. No, on the contrary there is a preference for Indian matches in many markets due to the present low price.

C. The imported matches can easily be classified according to standard of quality. Not so the Indian match, and this makes it impossible to generalise and indicate the price difference. There are almost as many qualities as factories in India. There are first of all the two classes, matches made from Indian wood and same made from imported wood. Heads, friction and other factors deciding the quality are varying largely, not only between different factories but sometimes also in the same factory during the different seasons.

Indian wood differs considerably in appearance not only in different parts of the country but also in the same locality. It is evident that if Indian matches aspire to 100 per cent. of the market the difference in price between them and imported must be higher than what would be required to obtain a lower percentage.

Raw materials.

10. *Wood.*

A. Yes.

B. Yes, in the beginning altogether. Subsequently we have changed over to Indian wood and are now using it except during the Monsoon in Western.

India when we think it will always be necessary to fall back, to a certain extent, on imported timber.

C. At present we are using Indian case-boards, but imported case-boards of a superior quality and appearance can be obtained at practically the same rates.

Aspen is imported either from Vladivostock or the Baltic to Bombay, Calcutta and Rangoon. The cost at factory is approximately:—

Swedish Rs. 2 5 0 per c. ft.

Siberian Rs. 2 13 0 per c. ft.

F. O. B. price, freight, insurance, etc., landing and clearing charges transport to factory duty. } For specification see Appendix I.

11. A. Species used for splints:—

Burma.	Calcutta.	Assam.	Bombay.
SHAWBYA. (<i>Tetramelis Nudiflora</i>).	GENWA. (<i>Encoccaria Agallocha</i>).	MACHILUS. (<i>Machilus Parviflora</i>).	SALAI. (<i>Boswellia Serata</i>).
MAULETAN. (<i>Sarcocephalus Cordatus</i>).		SIMUL. (<i>Bombax Malabaricum</i>).	

We have not been able to make first class splints from the above species. They have been used for second quality.

B. Species used for veneers:—

Burma.	Calcutta.	Assam.	Bombay.
MAULETAN. (<i>Sarcocephalus Cordatus</i>).	GENWA. (<i>Encoccaria Agallocha</i>).	SIMUL. (<i>Bombax Malabaricum</i>).	SAWAR. (<i>Bombax Malabaricum</i>).
LET PAN. (<i>Bombax Malabaricum</i>).		MACHILUS. (<i>Machilus Parviflora</i>).	MANGOE. (<i>Mangifera Indica</i>).
			SHEMUT. (<i>Odina Woodier</i>).

C. We can buy these from saw mills at rates which appear in our specification of raw materials.

12. We have found Indian wood less satisfactory than imported on nearly every point which has a bearing on the suitability of the timber for match manufacturing. It is hardly possible to contain our findings, which are based on experience at all our factories, within the frame of this report. The undersigned shall be pleased to acquaint the Tariff Board personally with all the facts at our disposal during his forthcoming visit to Calcutta.

13. With Indian wood for boxes and imported wood for splints:—

	tons.
‡ size factories	8,000
‡ size factories	5,000

If Indian wood could be used both for splints and boxes:—

	tons.
‡ size factories	16,000
‡ size factories	10,000

With a yearly production of 40,000 cases full size and 50,000 cases half size and with a consumption of Indian wood for—

‡ size 20 c. ft. (10 for veneers and 10 for splints).
‡ size 10 c. ft. (5 for veneers and 5 for splints).

Normally only 65 per cent. more wood should be required for full size, but the average quality of the wood in Calcutta and Burma falls below that of Bombay, and this works out in favour of our ‡ size factory there.

14. Double the above which is calculated per 50 gross.

15. ‡ size 28½" × 21½" × 19½" required 1.45 c. ft. ready sawn boards.

‡ size 36½" × 24½" × 23½" required 2.51 c. ft. ready sawn boards.

Both cases take 50 gross.

16. Please see maps attached.

17. Part of our supplies have been obtained through departmental felling but we have not been very successful in this respect, and the bulk of our requirements is now being supplied through the medium of contractors. The timber is either transported to the factories through a combination of dragging and rafting as in Assam and partly in Burma, or by dragging, carting and rail as in other places.

18. In Assam we first paid a monopoly fee of Rs. 2,062-8 *plus* a royalty of 6 pies per cubic foot. Subsequently we found it advantageous to work without a monopoly and are now paying 6 pies in the area formerly covered by our lease and Rs. 2 per tree outside on an ordinary permit. In Umbra and Khopoli we pay Re. 1 per cart for all species except Mangoe, which is Rs. 4 per cart. 3 carts are required to take 1 ton of timber. In Honawar we pay Rs. 6 per acre for clear felling. We do consider the terms unfavourable, but understand that as far as Western India is concerned more favourable rates have been granted.

19. Our present cost at the factory is:—

	Rs.
Ambernath	45
Calcutta	30
Rangoon	35—40

all per ton of 50 c. ft.

20. We enclose copies of the following concessions:—

Assam Match Company, Limited	. . .	Goalpara.
Western India Match Company, Limited	. . .	Gersoppa.
Western India Match Company, Limited	. . .	Khopoli and Umbra.

21. The impossibility of obtaining an even quality as soon as the timber is required in appreciable quantities can be described as one of our main difficulties with Indian timber. We have discussed this with the Forest Officers on various occasions, and will supply further particulars verbally as indicated under Question 12. This also refers to the question of deterioration which, of course, is unavoidable with all soft wood but the degree of deterioration differs.

22. Necessary to draw supplies from greater and greater substances.

This is due to reasons given under (a), (b) as well as (c).

(d) Matchwood trees generally occur very scattered which necessitated a large area to be covered in order to obtain quantities.

23. As we receive most of our wood through contractors we cannot supply accurate information regarding quantities extracted from different areas. We only know that supplies are now drawn from more distant areas than before.

24. We are inclined to believe that difficulties will occur in connection with the supply of sufficient quantities of suitable timber. It is difficult to state any time, but even now it is noticeable that timber is being supplied from comparatively distant sources. A forest of softwood is not necessarily a forest for matchwood. On the contrary, we have found repeatedly to our surprise inconvenience and cost that our species are very few and far between. There may be forests which are different in this respect, but on the whole we think official opinion will confirm the above. With regard to plantations, as long as wood can be obtained through contractors, a plantation on private initiative would increase overhead expenses and place the originator less favourably in the present competition.

25. No.

Other raw materials.

26, 27 and 28. Please see Appendix II. We regret very much that for various reasons we cannot state the exact quantity used by us for 100 gross of boxes.

29. The following materials are made in India:—

Paraffin, flour for paste, packing, paper and glue.

The qualities do not, however, satisfy us. We do not expect the other materials to be manufactured in India. Demand is after all limited compared with Europe and the United States where the possibility of mass production is conducive to cheaper rates. Besides, a high and even quality of the chemicals is an absolute necessity for a successful manufacturing, and it is doubtful whether this can be achieved in India.

30. It is difficult in Assam. We further refer to the answers under 12, 21 and 24.

31. For repairs and fitting of the machinery, training of labour and general supervision of the manufacturing.

32. We have altogether seventeen Europeans at our factories in a capacity of technical experts.

33. Otherwise, we are using entirely Indian labour who have all been trained by us, except in Burma, where we took over the labour from the previous owner of the Burma Match Factory. We are now also training Anglo-Indians to take the place of European Fitters, but have so far not been very successful in this respect.

34. Indian Workmen employed at each Factory:—

	Men.	Women.	Children.	Coolies.	Total.
Ambernath	864	337	8	308	1,517
Parel	82	65	22	43	212
Calcutta	526	63	10	91	690
Dhubri	206	5	47	38	296
Burma	161	138	41	83	373
Mandalay . . . . .	...	...	...	3	3
				Total	3,091

Also wages as follows:—

	Men.		Women.		Children.	Average.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Ambernath	0'82	to 2'68	0'66	to 1'56	...	1'30
Calcutta	0'95	to 2'02	1'42		...	1'30
Burma	0'70	to 1'48	0'55	to 0'75	0'40	0'85

35. The labour is drawn from all parts of India. As an illustration we give our labour at Calcutta distributed in accordance to the districts from where they hail:—

Bengal	395
Bihar	204
Orissa	43
United Provinces	41
Assam	7
	—
Total	690
	—

At Ambernath only about 10 per cent. of the labour comes from the Bombay Presidency.

36. The difference between now and when the labour was first put in training is of course considerable. Whether any further improvement will take place is impossible to know without actual experience. However, we find that the improvement of many labourers for technical purposes has its limitations in accordance with their grade of intelligence.

37. We have our workmen's quarters at Ambernath, Kanaung, and to a certain extent Dhubri. In Calcutta the labour live in their own accommodation in the vicinity of the factory. At Ambernath we have built our own shop to keep living expenses down and at Kanaung there is a shop under our supervision. At Ambernath we have built a school for the children of the work-people which is well attended and the teacher is paid by our firm and has also free quarters for himself and his family. We have also provided reading and club-rooms for the people and contributed towards the expenses for purchasing books, etc. Some of our workmen prefer to live in Kalyan and they had in the beginning to walk three to four miles distance mornings and evenings. Since over a year ago, however, the Great Indian Peninsula Railway at our request, kindly arranged the local train service in such a way as to suit the working hours of our factory. We have our own Doctors and Compounders with well appointed dispensaries at Ambernath and Kanaung, whilst at Dhubri and Calcutta we have a contract with an outside Doctor who attends regularly.

38. Electric Power Ambernath and Calcutta.

Steam Burma and Assam.

39. *Ambernath*.—From 2 annas to 1 anna 6 pies per unit, on a sliding scale, with factory lighting outside normal hours charged at $\frac{1}{3}$ per unit.

Calcutta.—10 pies per unit.

We understand Messrs. Tata supplies electricity to the Cotton Mills in Bombay at a rate of 7 annas per unit. The rate in Sweden is 2 pies per unit.

40. Waste from the peeling machine, but not sufficient at Parel, assam and Burma, and must be completed by fire-wood, coal, saw-dust, etc.

41. Our cost of power per case is as follows:—

	Rs.
Ambernath	0.72
Calcutta	0.60

including factory lighting, etc.

42. Fuel prices:—

Parel	Rs. 23 per ton coal.
Assam	Re. 0.8 per maund firewood.
Rangoon'	Rs. 20 per 100 bags sawdust.

43. Please see reply to No. 40. We have no concession for the supply of fire-wood.

Markets.

44. We estimate about sixteen million gross per annum.
 45. With lower prices there should be an increase.
 46. We sell all over India.
 47. Where our Factories are situated at the ports there is no difference. Our only up-country factory that is working is Assam, and here the advantage of being near the market seems to be counterbalanced by disadvantages, *i.e.*, labour difficulties, inconvenient despatch of raw materials, etc.
 48. The more important towns, specially some of the ports are in favour of imported matches. So are Assam, and particularly Burma.

Competition.

49. Sweden, Japan, Czechoslovakia, and with Sulphurs also, Norway.
 50. We refer to our reply No. 9-C. With regard to imported and Indian matches, competition only arises in connection with that section of the population who look more or quality than to price.
 51. (1) C.i.f. prices for Swedish matches have been as follows:—

	$\frac{1}{2}$ size safeties.	$\frac{3}{4}$ size sulphurs.	$\frac{1}{2}$ size sulphurs and safeties.	$\frac{1}{4}$ size.
	s. d.	s. d.	s. d.	s. d.
1900—1904	1 1	0 10	0 11	...
1905—1914	0 11 $\frac{1}{2}$	0 11 $\frac{1}{2}$	1 0	...
1914—1922	*	*	*	...
1922	1 8	1 8	1 10	1 4
1923—1927	1 5 to 1 6	1 5 to 1 6	1 7 to 1 8	1 1 to 1 2

*During the period of the War and immediately following prices rose with about 25 per cent. first and later to 4s. per gross as the highest point. Shipments were often subject to surcharge of freight, and extras, in case steamers were compelled to proceed, *via* the Cape. For long periods shipments to India were completely suspended on account of the submarine warfare, and Swedish trade in India was consequently reduced to insignificant proportions to the entire advantage of the Japanese match-trade.

(2)

Ambernath $\frac{1}{4}$ size per gross.	Burma $\frac{1}{4}$ size per case.	Calcutta $\frac{1}{4}$ size.	Mandalay $\frac{1}{4}$ size.	Assam $\frac{1}{4}$ size.	Year.
	Rs.	Rs. A.			
Nil	88	...	...	...	1925
Nil	84	1 12	*	**	1926
		1 10	...	...	end of 1926
Re. 1-2	84	1 8	...	...	1927

*The Mandalay Factory was originally equipped for $\frac{1}{4}$ size with thick sticks by the old owner. There is no demand for this size in Burma, but all the same we manufactured this size in the beginning in order to train our labour pending the arrival of spare parts for full size. We have, however, found it practically impossible to dispose of these matches and are now, after the factory is closed, trying to liquidate the stocks on consignment at bargain rates. On account of the unsatisfactory timber received at Mandalay our full size did also turn out a failure as regards quality and has, for this reason, to be sold below cost of production. After careful investigation we found it impossible to produce matches in Mandalay of such quality whereby the selling price covered the cost of production, and consequently decided to close the factory.

** Assam matches were first sold at a price of Re. 1-6 f.o.r. destination. The timber in Assam produces a rather dark splint, and in order to introduce this quality we have now, about a month ago, reduced the rate to Re. 1-3 f.o.r. destination.

Ambernath $\frac{1}{4}$ size.	Calcutta $\frac{1}{4}$ size.	
Rs. 2 to Rs. 2-3.	Rs. 2-8.	1924.
Rs. 2 to Re. 1-13.	Rs. 2-3.	1925.
Re. 1-6-6 to Re. 1-13.	Rs. 2-3.	1926.
Re. 1-4 to Re. 1-6.	Re. 1-12 to Re. 1-15.	1927.

52. Customs and ourselves.

53. A. No.

B. Yes.

C. Yes.

Our replies refer to Sweden only.

54. A. Yes.

B. Yes.

C. If efficiency is considered, European labour is cheaper.

D. Yes.

E. Yes.

F. Yes.

G. Yes.

H. Yes.

I. Yes.

55. The only disadvantages which cannot be considered as permanent are F, H and I, but we are obviously not in a position to express an opinion on the temporary nature of either.

56. 5,000 gross a day of 10 hours but 7,500 or even 10,000 is better, above that, certain difficulties of control would occur in India.

—	Company.	Total.		Plant and Machinery.		Percentage.
		Rs.	A. P.	Rs.	A. P.	
Wimco . . .	Ambernath . . .	20,67,148	4 0	11,37,686	6 0	55.03 per cent.
	Calcutta . . .	8,48,369	3 0	7,75,399	11 0	91.40 „ „
	Parel . . .	84,052	0 0	77,037	0 0	91.65 „ „
Burma . . .	...	6,59,858	12 0	3,79,935	12 0	57.58 „ „
Mandalay . . .	...	3,19,825	12 0	2,36,568	4 0	73.97 „ „
Assam . . .	...	4,48,748	9 0	2,91,414	11 0	64.94 „ „

59. A. Yes, except in Burma where we have partly old machinery. Modern machinery with the latest inventions is perhaps of more importance in the Match Industry than anything else for the purpose of obtaining favourable results.

B. Excepting the transport between various processes in our factories, there is only the packeting and to a small extent the box-filling which is being carried out by manual labour. The relative costs of the more important processes which can be made by hand as well as machinery are as follows :—

—	By hand.	By machinery.	Difference in favour of machinery.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
Box-making	7 2 0	1 4 0	5 8 0
Box-filling	5 6 0	3 2 0	2 4 0

per case of 50 gross.

60. We intend to make sulphur matches as well if the present duty is declared protective. Other extensions apart from this addition will depend on the possibility of finding a market for our goods.

61. No parts of our machinery are made in India.

CAPITAL ACCOUNT.

Blockvalue of property 31st December 1926.

Company.	Leases and concessions.		Land.		Buildings.		Plant machinery.		Other assets.	
	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.
<i>Western India.</i>										
Ambernath . . . . .	...		1,39,621	14	7,39,457	0	11,37,686	6	44,158	8
Calcutta . . . . .	...		...		48,227	14	7,75,399	11	24,741	10
Parel . . . . .	...		...		6,150	0	77,037	0	865	0
Total . . . . .	...		1,39,621	14	7,93,884	14	19,90,123	1	69,765	2
Burma Match Company, Limited.	...		60,500	0	1,91,500	0	3,79,935	12	27,923	0
Mandalay Match Company, Limited.	...		...		72,424	12	2,36,568	4	10,832	12
Assam Match Company, Limited.	17,250	0	...		1,31,756	10	2,91,414	11	8,507	4
GRAND TOTAL	17,250	0	2,00,121	14	11,89,336	4	28,98,041	12	1,17,028	2

63. The figures represent actual costs. Our Depreciation Fund stands as follows:—

	Rs.	A.
Western India Match Company, Limited	2,26,942	3
Burma Match Company, Limited	26,930	6
Mandalay Match Company, Limited	16,365	4
Assam Match Company, Limited	3,792	8
TOTAL	2,74,030	5

64. Less than what we consider suitable.

65. Apart from the Burma Match Company, Limited, to-day's cost for buildings, plant and machinery would be about the same.

67.

Company.	Authorised Capital.	Issued and paid up Capital.
	Rs.	Rs.
Western India Match Company, Limited	75,00,000	47,00,500
Match Manufacturing Supply Company, Limited	50,000	40,500
Kemmendine Match Company, Limited	3,00,000	91,700
Burma Match Company, Limited	10,00,000	7,31,500
Mandalay Match Company, Limited	3,00,000	2,77,510
Assam Match Company, Limited	7,00,000	5,00,000
Total	98,50,000	63,42,010

74. Impossible to say before the nature of the extension, if any, has been decided upon.

Works cost.

75. We are not in a position to give our works cost but wish to indicate that same are undergoing a steady decline which has not yet terminated. On account of the severe competition which exists in the local Match-industry to-day we have been compelled to use every improvement in cost for a corresponding reduction in selling prices in an endeavour to reach a balance between our production and sales and specially to liquidate our stocks which have accumulated on account of our prices being on a higher level than those of our competitors.

Overhead charges.

79. *Depreciation.*—Rates allowed by Income-tax Authorities are:—

	Per cent.
For buildings	2½
For Plant and Machinery	6½
For Others (Furniture and Fittings)	5

Machines do not fare as well in India as in Sweden where the rate is 7½ per cent. Apart from this, however, it has to be considered that on account of inventions and improvements, match machinery may have to be replaced earlier than what would otherwise be the case if only wear and tear was considered. We calculate with a maximum of 10 years in this connection.

With regard to buildings, the Income-tax rate is sufficient provided it is a question of a pucca construction. Buildings which do not belong to this class vary too much to make a comprehensive opinion possible.

80. *Annual Depreciation.*

Company.	Calculated at Income-Tax rates.	
	On original cost.	On depreciated value.
	Rs.	Rs.
Western India Match Company, Limited	1,47,816	1,35,208
Burma Match Company, Limited	29,930	28,432
Mandalay Match Company, Limited	17,137	16,287
Assam Match Company, Limited	21,927	21,750
Total	2,16,810	2,01,677

Working capital.

	Rs.
81. Western India Match Company, Limited	20,00,000
Burma Match Company, Limited	2,25,000
Mandalay Match Company, Limited	2,00,000
Assam Match Company, Limited	1,75,000
TOTAL	26,00,000

82 and 83. The Companies through the Swedish Match Company are able to provide all the working capital they require, but may invite the Indian public to subscribe.

85. A. *Average value of ready matches in stock:—*

	Rs.
Western India Match Company, Limited . . .	14,00,000
Burma Match Company, Limited . . .	1,50,000
Mandalay Match Company, Limited . . .	1,00,000
Assam Match Company, Limited . . .	1,50,000
	18,00,000

B. *From two to three months.*

86. *Approximate value of three months' supply of raw materials:—*

	Rs.
Western India Match Company, Limited . . .	7,00,000
Burma Match Company, Limited . . .	80,000
Mandalay Match Company, Limited . . .	70,000
Assam Match Company, Limited . . .	50,000
	9,00,000

Agents' commission and Head Office expenses.

87. All Companies direct under the Head Office in Bombay. The expenses in 1926 were Rs. 1,28,698-8-0 which, on our actual deliveries works out at about 10 pies per gross, but if our production for 1926 is taken, the figure is reduced to 7½ pies.

Manufacturer's profits.

91, 92 and 93. It is difficult to say as the investing public in India have burnt their fingers practically every time they have been offered to take part in a match manufacturing concern. There is consequently very little confidence left in the public mind for this industry and unless there is a distinct change for the better maintained through a number of years, we do not think that capital can be obtained in the ordinary way of issuing shares, even if they are "preference." It is of course another matter if a well-known responsible party in the match trade is standing as underwriters as in the case of the Assam Match Company, Limited.

Claim for protection.

94. A. No natural advantage except a large home market. Power is of small consequence in match making.

B. Without protection the industry would very soon return to the same level as before protection commenced.

C. We consider this out of the question.

95. A. Yes, we refer to our reply to question No. 56.

B. No, unless protected to the extent of a prohibitive duty.

Even then, there remains the question whether the supply of local wood is sufficient.

96. No.

98. With the present protection we expect the percentage of imported matches to be very low in a few years' time.

99. No.

APPENDIX I.

Prices of Swedish and Japanese Aspen.

	Ambernath.		Calcutta.	
	Swedish.	Japanese.	Swedish.	Japanese.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.
Price per ton of 50 cubic feet . . .	58 5	84 4	58 5	84 4
Freight and Insurance . . .	34 8	33 2	36 9	30 5
Landing, Clearing and Siding fees, etc.	6 12	6 12	7 4	7 4
Freight to Ambernath . . .	2 0	2 0	...	...
Duty at 15 per cent.	13 15	17 9	14 4	17 8
Total	115 8	143 11	116 6	139 0

APPENDIX II.

Specification of Raw Materials.

Particulars.	Country of origin.	Price.
		£ s. d.
Amorphous Phosphorous . . .	England	0 1 6 45 per lb. c.i.f.
Antimony Sulphide	Sweden	5 5 0 „ 100 killos c.i.f.
Bichromate of Potash	Do.	4 13 3 „ 100 „ „
Chlorate of Potash	Do.	30 8 0 „ 1000 „ „
Glass Powder	Do.	0 12 9 „ 100 „ „
Glue	Belgium	6 0 9 „ 100 „ „
Manganese Dioxide	Sweden	2 7 6 „ 100 „ „
Paraffin	United States of America	2 11 3 „ 100 „ „
Red Ochre	Sweden	2 1 6 „ 100 „ „
Sulphur	Siolly	12 0 0 „ ton c.i.f.
Umber	Sweden	1 5 1 „ 100 killos c.i.f.
Tapioca Flour	Java	£l. 13 15 „ 136 lbs. „
Wheat Meal	United States of America	As. 3 „ lb. f.o.r.

Particulars.	Country of origin.	Price.
		£ s. d.
Box Paper (dark blue)	Sweden	28 6 0 per 1000 killos c.i.f.
Dozen Packet Paper	Do.	21 2 6 ,, 1000 ,, ,,
Half-gross Packet Paper	Do.	26 7 3 ,, 1000 ,, ,,
Box Labels (half size)	Do.	0 0 3 ,, 1000 c.i.f.
Dozen Packet Labels	Do.	0 1 0 ,, 1000 ,,
Half-gross Labels	Do.	0 3 0 ,, 1000 ,,
Zinc	Belgium	4 10 9 ,, 100 killos c.i.f.
		Rs. A. P.
Case Boards (½ size)	Local	3 8 0 ,, case, Bom bay.
Case Boards (full size)	Do.	3 13 0 ,, ,, Calcutta.

(2) STANDARD AGREEMENT FORM FOR THE FELLING, COLLECTION, REMOVAL AND PURCHASE OF TIMBER, FIREWOOD, ETC.

AN AGREEMENT made this 18th day of January in the year 1926 between Western India Match Co., hereinafter called "the Contractor" of the one part and the Secretary of State for India in Council hereinafter called "the Secretary of State" of the other part.

WHEREAS ^{a tender} _{an offer} of the sum of Rs. 792 for 132 acres at Rs. 6 per acre which sum is hereinafter called "the Contract sum" has been made by the Contractor for—

(a) the felling and removal and purchase of timber, firewood and other things specified in item (a) of the Schedule hereto annexed, from the portion of the Kalebu Nakkal forest hereinafter called "the said forest", in the Beranki Range of the Kanara South Division, is hereinafter called the "Coupe" and

(b) the liberty to manufacture charcoal in the coupe and the said tender has been accepted upon the terms herein below expressed, and as part of such terms the sum of Rs. 80 has been deposited with the Divisional Forest Officer of Southern Division, Kanara, hereinafter called the "Divisional Forest Officer", in Government Promissory notes (or in Currency notes or in cash or partly in notes and partly in cash, as the case may be) as security for the due performance and observance by the Contractor of the conditions hereinafter expressed:

AND WHEREAS by a rule under section 75, clause (d) of the Indian Forest Act, 1878, hereinafter called "the said act", published with Government Notification in the Revenue Department No. 5200, dated the 3rd August 1903, whoever enter into any contract with any Forest Officer acting on behalf

of Government shall, if so required by such Forest Officer bind himself by a written instrument to perform such contract and to pay to such Officer on behalf of Government the expenses necessary for or incurred in the execution of day work or thing to be done which he has bound himself, but has failed to do.

Now THESE PRESENTS WITNESS that in pursuance of the said *Tender* and in compliance with the said rule and in consideration of the privileges secured to him by this Agreement, the Contractor does hereby bind himself to perform every duty and act expressed in the conditions hereinafter contained as to be performed by him and does covenant with the Secretary of State that he, the Contractor and each of his servants and agents, will abstain from every act expressed in the conditions hereinafter contained as to be abstained from, and the Contractor does hereby agree, in case of any breach of any of the said conditions, to pay to the Secretary of State through the Divisional Forest Officer on demand made in such behalf by him the sum of one hundred rupees will together with the expenses referred to above in accordance with section 84 of the said Act be recoverable from him as an arrear of land revenue.

The said conditions are as follows, namely:—

I. The Contractor shall perform the following duties, and acts, that is to say—

(a) he shall pay to the Divisional Forest Officer, or should he so direct to some person duly authorised by him in writing to receive the same, the total amount due by him under this agreement as under, viz.—

(a) The full payment, viz., Rs. 792 on or before the time of signing this agreement before any material is removed from the coupe.

(b) He shall pay the full amount of the contract sum, whether the whole of the material contracted for is removed by him from the coupe or not.

(c) He, or where there is more than one contractor, someone of them on behalf of them all, before commencing felling operations and within fifteen days of completion of this agreement shall proceed with the Divisional Forest Officer to inspect the boundaries of the coupe as demarcated on the ground by special or other marks, and shall satisfy himself that the boundaries as defined clearly and sufficiently upon the ground by the special or other marks, and shall give such Officer a written certificate that he is so satisfied and further shall sign—

(1) the plan of the coupe attached to this agreement in acknowledgment that it delineates correctly the coupe as demarcated upon the ground;

(2) the register of trees marked to denote the boundaries of the coupe.

(d) He shall, before commencing cutting operations, clear, and as soon as the vegetation is sufficiently dry, burn fire-traces fifty feet wide round the boundaries of the coupe and along the sides of the internal roads, so as to protect the coupe from fire, and shall until the 31st day of May or such earlier date as the Divisional Forest Officer may, by order in writing, fix in this behalf, preserve all fire-traces required under this clause, and entertain watchers to guard against fire, and guards to prevent cattle of every kind from grazing within the coupe.

(e) He shall—

1. fell all trees and shrubs in the coupe except reserved trees and trees which by the conditions hereinafter contained he is required to abstain from felling,

2. fell such trees, creepers and shrubs in such regular order by sub-coupes or otherwise as may be prescribed by the Divisional Forest Officer, and

3. cut the stools level with the ground and trim them at once.

- (f) He shall, immediately on felling a tree, arrange to clear away the branches which may fall upon or may be encumbering stool, coppice-shoot or seedling, and shall keep all stools, coppice-shoot and seedlings clear of branches and other felled or fallen material; and shall arrange in stacks of such dimensions as the Divisional Forest Officer shall direct at a distance of at least three feet from the stools of felled trees, all wood exceeding 6" in girth and that of 6" in girth and under separately.
- (g) He shall remove from the coupe not later than the 30th day of April 1927 all the material to which he is entitled; and shall stamp all timber pieces with his private property mark before they leave the coupe.
- (h) He shall bring all the timber, firewood and other things which he is entitled to remove from the coupe to a forest depôt (the site of which will be fixed and pointed out to him by the Divisional Forest Officer) in order that the same may be measured, counted, registered and branded, if such is deemed by the Divisional Forest Officer to be necessary; and shall if so required by the Divisional Forest Officer stack and arrange them there for that purpose in the manner prescribed by him.
- (i) He shall on or before the 30th day of April 1927 or such later date as the Divisional Forest Officer may, by order in writing, at his absolute direction fixed in this behalf remove from the depôt all his timber, firewood and other things under passes duly filled in all quantities and sums therein specified being stated in words as well as in figures, and in accordance with the Schedule of Standard Classification to be obtained from the Divisional Forest Officer, signed and issued after personal inspection by the authorised Forest Officer or by the Contractor or by such Agent of his as may be authorised for the time being in accordance with the rules for the time being in force under section 41 of the said Act.
- (j) He shall retain in the Pass Book furnished to him under the said rules the counterfoils of every pass issued in respect of every load of timber, firewood and other things duly filled in, all quantities and sums therein specified being stated in words as well as in figures, in accordance with the corresponding pass issued.
- (k) He shall, as soon as all the passes in any Pass Book so furnished have been issued, return the book containing the counterfoils duly filled in as aforesaid of the issued passes to the Divisional Forest Officer.
- (l) He shall at any time during the currency of this Agreement or on the termination thereof on demand immediately give up or cause to give up to the Divisional Forest Officer every unused or partly used pass book together with the Counterfoils of the issued passes.
- (m) He shall submit from time to time to the Divisional Forest Officer the name, age and address of every person whom he may propose to employ in superintending the working of this contract and shall supply such person with a certificate of the appointment which shall be countersigned by the Divisional Forest Officer, but he shall not employ nor continue to employ to whom the Divisional Forest Officer may object.
- (n) He shall when called upon to do so by an authorised Forest Officer take charge of and keep safely the book called the "Contractor's book," which he shall produce immediately on demand by such Forest Officer and shall return the same to such Forest Officer on the expiry of the contract. Any notice written by the authorised Forest Officer in this book shall be considered as a notice issued in conformity with this agreement.

II. The Contractor, his servants and agents shall abstain from the following acts, that is to say—

- (a) from subletting or assigning this contract, or any portion thereof or share or interest therein, to any person whatsoever without the previous permission in writing of the Divisional Forest Officer,
- (b) from commencing any felling operations before Clause I (c) has been complied with and from continuing the same after the 31st day of March 1927,
- (c) from continuing any operations in the coupe after the 30th day of April 1927,
- (d) from felling, lopping, injuring or permitting to be felled, lopped or injured by any person,
- (e) from stacking timber or firewood upon the stools of felled trees or upon any coppice-shoot or seedling,
- (f) from causing or allowing the branches of any felled tree to encumber in any way or to lie upon such stools as aforesaid or upon any coppice-shoot or seedling,
- (g) from (i) taking (ii) removing (iii) claiming or (iv) stacking among, below or near any material belonging to the contractor any branches, shoots or thorns of any sort not exceeding six inches in girth at the thickest part, and leaves of trees felled by the contractor or any other material specified in item (d) of the schedule hereto annexed for the satisfaction of privileges granted to villagers or for any other purpose,
- (h) from interfering with any villager or villagers who may be permitted by a Forest Officer any time after the commencement of the felling to take and remove any material reserved under the last preceding clause or to cut and remove brushwood for firewood or rab from the coupe or with any person who may be ordered by the Divisional Forest Officer to carry out or perform any forest operation or work for the improvement of the forest or for any other purpose,
- (i) from manufacturing charcoal within the coupe, except at such places as are pointed out by the Divisional Forest Officer,
- (j) from removing any timber, firewood or other things from the dépôt fixed or pointed out by the Divisional Forest Officer (i) otherwise than under cover of a pass in accordance with the rules in force under section 41 of the said Act, issued by some person duly authorised under the said rules to sign and issue such pass and with all the information required by the said rules duly entered therein or (ii) by any route or routes other than that or those approved by the Divisional Forest Officer,
- (k) from removing any timber, firewood or other thing from the said dépôt unless the conditions as to payment for the time being have been duly fulfilled and until payment has been made in full or the material to be so removed from time to time,
- (l) from stacking or keeping any material at any place within the limits of the said forest other than the authorised dépôt aforesaid,
- (m) from using any road within the limits of the said forest except such as may be approved in this behalf by the Divisional Forest Officer, for the bringing into or taking from the coupe any cart, animal or material,
- (n) from bringing into and from permitting to enter the coupe any cattle, except such as may be necessary for the purpose of this contract,
- (o) from permitting cattle of any kind to be loose or to graze within the coupe,

- (p) from having a tree which has been felled to lie for more than three days without cutting it up as provided under condition I (f),
- (q) from cutting or removing any tree in contravention of condition I (e) (ii).

III. The Contractor agrees to perform the following conditions, that is to say—

- (a) he shall defray all expenses which may be incurred in felling, converting and removing the timber, firewood and other things to which this contract applies,
- (b) no person other than the Contractor, except as is provided in the next following clause, can or shall have any part, share or interest in this contract,
- (c) in the event of the whole or any portion of this contract being sublet with the written permission of the Divisional Forest Officer the Contractor shall be responsible for the acts and omission of the sub-contractors and their servants as if they were the servants of the Contractor,
- (d) if by reason of, or in the course of, any manufacture or charcoal at any places, whether pointed out on this behalf by the Divisional Forest Officer or not, any damage is caused to any stools, coppice-shoots or seedlings, or to any reserved tree the liberty to carry on any manufacture of charcoal within the coupe may be withdrawn forthwith by the Divisional Forest Officer, and the charcoal, if any, still within the coupe may be confiscated by the Divisional Forest Officer, and the Contractor shall also be liable to Government for the amount of all such damage,
- (e) any material remaining within the coupe after the day on which, by the conditions hereinbefore contained the removal thereof is required to be completed, shall be the property of Government, and may be removed from the coupe at the expense of the Contractor in such manner as the Divisional Forest Officer shall decide,
- (f) any timber, firewood or other thing removed from the coupe or from the depôt otherwise than in accordance with the conditions hereinbefore contained shall be liable to seizure by any Forest or Police Officer and when so seized shall be forfeited to Government,
- (g) any timber, firewood or other things remaining in the depôt aforesaid, or anywhere within the limits of the forest, after the day on which by the conditions hereinbefore contained the removal thereof is required to be completed, shall be the property of Government,
- (h) he shall be liable to Government for the amount of all damage which at any time previous to the 30th day of April 1927, or such earlier date as the Divisional Forest Officer may, by order in writing, fix in this behalf, may be caused to any forest produce belonging to Government either within or without the coupe by illicit cutting, by fire or by cattle grazing, whether such cutting or fire is traceable to any act or omission of the Contractor, his servants or agents, or not, and whether such cattle belong to or have been allowed to graze by the Contractor, his servants or Agents, or not. Failure to pay the said amount of damage as assessed by the Divisional Forest Officer shall make the Contractor liable to pay to Government a penalty of 100 rupees and the amount of such penalty shall be recoverable from the Contractor under section 84 of the said Act as if it were an arrear of land-revenue,
- (i) he shall pay all such expenses as the Divisional Forest Officer may determine to be necessary for, or to have been incurred in the

execution of any work or thing to be done, which by the conditions hereinbefore contained he has bound himself to perform or do and which on requisition made by the Divisional Forest Officer he has failed or omitted within the time specified in such requisition to perform or do. Failure to pay the said expenses on demand by the Divisional Forest Officer shall make the contractor liable to pay to Government a penalty of 100 rupees and the amount of such penalty shall be recoverable from the contractor under section 84 of the said Act as if it were an arrear of land revenue,

- (j) The Divisional Forest Officer, in case of any breach of any condition may, in lieu of or in addition to requiring the payment of or recovering any sum payable in case of any such breach, by a notice in writing served upon the Contractor, or, where there is more than one Contractor, upon any one of them on behalf of them all suspend the operation of this agreement pending the decision of the Conservator of Forests; and when the operation of this agreement has been so suspended the Contractor shall put a stop to all work thereunder, and all rights and claims of the Contractor and of his servants or agents thereunder shall be in abeyance pending the decision of the Conservator of Forests,
- (k) if in the opinion of the Conservator of Forests the Contractor or any of his servants or agents has or have broken, evaded or failed to fulfil any of the conditions hereinbefore contained or infringed any provision of the forest law or rules for the time being in force, it shall be lawful for the said Conservator of Forests by a notice in writing to be served upon the Contractor, or where there is more than one Contractor, upon any one of them on behalf of them all, to put an end to this agreement, without prejudice to any right of the Secretary of State in respect of antecedent breaches of contract, and to retain out of the Contractor's deposit or out of any other money of the Contractor in the possession of any Forest Officer, or recover from the contractor the amount, or such portion as is possible of the amount of damages sustained by reason of the non-performance by the Contractor of this agreement, or instead of so putting an end to this agreement and retaining or recovering such sum, to retain or recover such sum without putting an end to this agreement:

Provided always that nothing in this clause or in the last preceding clause shall affect the liability of the Contractor, or of any of his servants or agents, to criminal prosecution for any offence committed by him or them against the forest law or rules for the time being in force,

- (l) if this agreement is put an end to by the Conservator of Forests as aforesaid, the privileges secured to the Contractor under this contract may be resold by the Divisional Forest Officer, subject to the orders of the Conservator of Forests, at the risk of the Contractor (who shall have no claim to the profit, if any, realized by Government on such re-sale) or may be otherwise disposed of as the Conservator may direct and any money which may have been paid to Government under this Agreement, and the entire stock of timber, firewood and other things in the coupe or at the dépôt aforesaid at the time at which the operation of the agreement was suspended by the Divisional Forest Officer, shall be and remain the property of Government, and shall be disposed of for the benefit of Government in such manner as the Conservator of Forests directs.

IV. AND IN CONSIDERATION OF THE PREMISES the Secretary of State does hereby agree with the Contractor that, if he shall well and duly perform this contract, he shall enjoy for and within the period and subject to the

restrictions and conditions hereinbefore stipulated the following privileges viz.—

- (a) the privilege of removing from the coupe for his own use, advantage and profit, timber, firewood and the other things specified in item (a) of the schedule hereto annexed, and
- (b) the privilege of manufacturing charcoal within the coupe and of removing.

And it is further hereby agreed between the parties that in this agreement:—

- (1) the term "Divisional Forest Officer" shall be deemed to mean the Divisional Forest Officer or any Forest Officer authorised by him in writing to act in the matter of the clause in which the said term is employed;
- (2) the term "Conservator of Forests" shall be deemed to mean the Conservator of Forests for the time being;
- (3) the term "Secretary of State" shall be deemed to mean the Secretary of State for India in Council, his successors and assigns;
- (4) the term "the Contractor" shall include each and every person signing this contract, or in the case of this contract being entered into by a firm every member of such firm and his or their heirs, executors, administrators, and (subject to any condition against sub-letting or assigning this contract, or any portion thereof or any share or interest therein, which may be part of the conditions of this contract) his or their assigns, both jointly and severally.

IN WITNESS WHEREOF the Contractor has hereunto set his hand and the Divisional Forest Officer by order of the Governor of Bombay in Council has hereunto set his hand and seal for and on behalf of the Secretary of State the day and the year first above written.

Signed by

(Sd.) V. K. MUDBHATKAL,

Contractor.

The 18th January 1926.

In the presence of

Divisional Forest Officer,
S. D., Kanara.

Signed by

Schedule referred to in the above agreement.

(a) Materials, etc., with the contractor has the privilege of removing from the coupe:—

All the timber, firewood, bark and charcoal obtained from any unreserved trees standing or fallen within the limits of the coupe as per plan attached.

(b) Description of material reserved under clause II (g):—

All forest produce granted to villagers under the rules or law or executive orders issued from time to time and for the time being in force.

(c) Description of trees reserved under clause II (a) (i):—

(i) All trees marked to denote the boundaries of the coupe.

(ii) All sandalwood trees living or dead.

- (iii) Any tree on the edge of the Kallan or ridges at hills within a distance of 50 feet as may be ordered by the Divisional Forest Officer.

Signed by

(Sd.) V. K. MUDBHATKAL,
Contractor.

The 18th January 1926.

In the presence of

Signed by

Conservator of Forests.

(2) STANDARD AGREEMENT FORM FOR THE FELLING, COLLECTION, REMOVAL AND PURCHASE OF TIMBER, FIREWOOD, ETC.

AN AGREEMENT made this 9th day of June in the year 1926 between the Western India Match Company Limited, Bombay, hereinafter called "the Contractor" of the one part and the Secretary of State for India in Council hereinafter called "the Secretary of State" of the other part.

WHEREAS an offer of a rate of Re. 1 per ordinary cartload and Rs. 4 per 50 c.ft. ton of converted material of the first nine soft-wood species mentioned in the list A of the schedule hereto annexed and Rs. 4 per ordinary cartload of logs and Rs. 12 per 50 c.ft. ton of converted material of Mango wood mentioned at Serial No. 10 of the list A of the schedule, as royalty charges, which rate is hereinafter called "the contract sum" has been made by the contractor for—

- (a) the felling and removal and purchase of the soft-wood species specified in item (a) of the schedule hereto annexed, from the portion of the Reserved forest, hereinafter called "the said forest" in the Fen Range of the Kolaba Division, which is known as Group No. III consisting of villages noted below,

1. Usaroli.	10. Parkhanda.
2. Khanau.	11. Ratesai.
3. Vadval.	12. Horala.
4. Narangi.	13. Kansai.
5. Khambawadi.	14. Apta.
6. Tondli.	15. Tambati.
7. Chilthan.	16. Talashi.
8. Shedsai.	17. Kavashi.
9. Karambeli.	

- (b) and the said tender has been accepted upon the terms hereinbelow expressed, and as part of such terms the sum of Rs. 500, Five hundred only, has been deposited with the Divisional Forest Officer of Colaba, hereinafter called "The Divisional Forest Officer," as security for the due performance and observance by the Contractor of the conditions hereinafter expressed.

AND WHEREAS by a rule under section 75, clause (d) of the Indian Forest Act, 1878, hereinafter called "the said Act," published with Government Notification in the Revenue Department, No. 5200, dated the 3rd August 1903, whoever enter into any contract with any Forest Officer acting on behalf of Government shall, if so required by such Forest Officer, bind himself by a written instrument to perform such contract:

NOW THESE PRESENTS WITNESS that in pursuance of the said offer and in compliance with the said rule, and in consideration of the privileges secured to him by this agreement, the Contractor hereby does bind himself to perform

every duty and act expressed in the conditions hereinafter contained as to be performed by him and does covenant with the Secretary of State, that he, the Contractor, and each of his servants and agents, will abstain from every act expressed in the conditions hereinafter contained as to be abstained from, and the Contractor does hereby agree, in case of any breach of any of the said conditions, to pay to the Secretary of State through the Divisional Forest Officer on demand made in such behalf by him the sum of one hundred rupees and that the said sum of one hundred rupees will, in accordance with section 84 of the said Act, be recoverable from him as an arrear of land revenue.

THE SAID CONDITIONS are as follows, namely:—

I. The Contractor shall perform the following duties, and acts, that is to say:—

- (a) he shall pay to the Divisional Forest Officer or should he so direct to some person duly authorised by him in writing to receive the same, the total amount due by him under this agreement as under, *viz.*—
1. Rs. 100 for each pass book containing 100 passes at the rates of Re. 1 per pass for soft-wood logs.
 2. Rs. 200 for each pass book containing 100 passes at the rate of Rs. 4 per ton of 50 c.ft. for converted soft-wood planks, etc., before any material is removed from the above mentioned area.
 3. Rs. 400 for each pass book containing 100 passes at the rate of Rs. 4 per pass for Mango logs.
 4. Rs. 1,200 for each pass book containing 100 passes at the rate of Rs. 12 per ton of 50 c.ft. for converted Mango wood, before any material is removed from the above mentioned area.

N.B.—A monthly statement of the cubical contents of converted material carried to Khopoli Station shall be supplied by the Company to the Divisional Forest Officer, and after due check, the excess money recovered or to be recovered on the basis of Rs. 4 per ton or Rs. 12 per ton shall be adjusted by cash payments half-yearly.

- (c) he, or where there is more than one Contractor some one of them on behalf of them all, before commencing felling operations, and within fifteen days of completion of this agreement, shall proceed with the Divisional Forest Officer to inspect the boundaries of the Group as demarcated on the ground by special or other marks, and shall satisfy himself that the boundaries are defined clearly and sufficiently upon the ground by the special or other marks, and shall give such officer a written certificate that he is so satisfied, and further shall sign—

(i) the plan of the Group attached to this agreement in acknowledgment that it delineates correctly the coupe as demarcated upon the ground.

(e) he shall

- (i) fell such softwood species noted in schedule A as are above 33' in girth at the breast height and suitable for Match manufacture and Mango wood,
- (ii) fell such trees systematically taking each slope in regular order as may be prescribed by the Divisional Forest Officer, and
- (iii) cut the stools of match wood trees within one foot of the ground. The stools need not be trimmed.

(f) he shall immediately on felling a tree, arrange to clear away the branches which may fall upon or may be encumbering stool, coppice-shoot or seedling, and shall keep all stools, coppice-shoot, and seedling clear of branches and other felled or fallen material; and shall arrange in stacks of such dimensions as the Divisional

Forest Officer shall direct, at a distance of at least three feet from the stools of felled trees, all wood exceeding 6" in girth and that of 6" in girth and under separately;

- (g) he shall remove from the Group not later than the 31st day of May 1927 all the material to which he is entitled; and shall stamp all timber pieces with his private property mark before they leave the coupe;
- (h) he shall bring all the timber, firewood and other things which he is entitled to remove from the Group to a forest depôt (the site of which will be fixed and pointed out to him by the Divisional Forest Officer) in order that the same may be measured, counted, registered and branded, if such is deemed by the Divisional Forest Officer to be necessary; and shall, if so required by the Divisional Forest Officer, stack and arrange them there for that purpose in the manner prescribed by him;
- (i) he shall on or before the 31st day of May 1927 or such later date as the Divisional Forest Officer, may by order in writing, at his absolute direction fixed in this behalf, remove from the depôt all his timber, firewood and other things under passes duly filled in, all quantities and sums therein specified being stated in words as well as in figures, and in accordance with the Schedule of Standard Classification to be obtained from the Divisional Forest Officer, signed and issued after personal inspection by the authorised Forest Officer or by the Contractor or by such agent of his as may be authorised for the time being in accordance with the rules for the time being in force under Section 41 of the said Act;
- (j) he shall retain in the pass-book furnished to him under the said rules the counterfoil or every pass issued in respect of every load of timber, duly filled in, all quantities and sums therein specified being stated in words as well as in figures, in accordance with the corresponding pass issued;
- (k) he shall, as soon as all the passes in any pass book so furnished have been issued, return the book containing the counterfoils duly filled in as aforesaid of the issued passes to the Divisional Forest Officer;
- (l) he shall at any time during the currency of the agreement or on the termination thereof on demand immediately give up or cause to be given up to the Divisional Forest Officer every unused or partly used pass-book together with the counterfoils of the issued passes;
- (m) he shall submit from time to time to the Divisional Forest Officer the name, age and address of every person whom he may propose to employ in superintending the working of this contract, and shall supply such person with a certificate of appointment which shall be countersigned by the Divisional Forest Officer; but he shall not employ nor continue to employ any person to whom the Divisional Forest Officer may object;
- (n) he shall when called upon to do so by an authorised Forest Officer take charge of and keep safely the book called the 'Contractor's Book' which he shall produce immediately on demand by such Forest Officer and shall return same to such Forest Officer on the expiry of the contract. Any notice written by the authorised Forest Officer in the book shall be considered as a notice issued in conformity with this agreement;
- (o) he shall pay such value for the trees (other than those he is entitled to damaged or broken in the course of his felling operations, as may be assessed by the Divisional Forest Officer, Kolaba, and after payment such trees may be removed by the contractor;

(p) he shall cut all such damaged trees as the Divisional Forest Officer may direct (after they have been marked for this purpose under his order) flush with the ground;

(q) he shall export all material he is entitled to from Khopoli Station only.

II. The Contractor, his servants and agents shall abstain from the following acts, that is to say:—

(a) from sub-letting or assigning this contract or any portion thereof or share or interest thereon, to any person whatsoever without the previous permission in writing of the Divisional Forest Officer;

(b) from commencing any felling operations before clause I (a) and I (c) has been complied with and from continuing the same after the 31st day of May 1927;

(c) from continuing any operations in the coupe after the 31st day of May 1927;

(d) from felling, lopping, injuring or permitting to be felled, lopped or injured by any person;

(i) any reserved tree, that is to say, any tree other than those of the species mentioned in Schedule A;

(ii) any tree or other forest growth outside the group;

(e) from stacking timber or firewood upon the stools of felled trees or upon any coppice-shoot or seedling;

(f) from causing or allowing the branches of any felled tree to encumber in any way or to lie upon such stools as aforesaid or upon any coppice-shoot or seedling;

(g) from (i) taking, (ii) removing, (iii) claiming or (iv) stacking among, below or near any material belonging to the Contractor any branches, stools and thorns of any sort not exceeding six inches in girth at the thickest part and leaves of trees felled by the Contractor or any other material specified in item (d) of the Schedule hereto annexed for the satisfaction of privileges granted to villagers or for any other purpose;

(h) from interfering with any villager or villagers who may be permitted by a Forest Officer at any time after the commencement of the felling to take and remove any material reserved under the last preceding clause or to cut and remove brushwood for firewood or rob from the group or with any person who may be ordered by the Divisional Forest Officer to carry out or perform any forest operation or work for the improvement of the forest or for any other purpose;

(j) from removing any timber from the dépôt fixed or pointed out by the Divisional Forest Officer (i) otherwise than under cover of a pass in accordance with the rules in force under section 41 of the said Act, issued by some person duly authorised under the said rules to sign and issue such pass and with all the information required by the said rules duly entered therein or (ii) by any route or routes other than that or those approved of by the Divisional Forest Officer;

(k) from removing any timber, from the said dépôt unless the conditions as to payment for the time being have been duly fulfilled and until payment has been made for the material to be so removed from time to time;

(l) from stacking or keeping any material at any place within the limits of the said forest other than the authorised dépôt aforesaid;

(m) from using any road within the limits of the said forest except such as may be approved of in this behalf by the Divisional Forest Officer for the bringing into or taking from the coupe any cart animal, or material;

- (n) from bringing into and from permitting to enter the coupe any cattle except such as may be necessary for the purposes of this contract;
- (o) from permitting cattle of any kind to be loose or to graze within the coupe;
- (p) from leaving a tree which has been felled to lie for more than three days without cutting it up as provided under condition I (f);
- (q) from cutting or removing any tree in contravention of condition I(e) (ii);
- (r) from cutting any trees whatever in the coupes marked for exploitation during 1926-27 in the various Blocks contained in the group about necessary information will be supplied to him by the Divisional Forest Officer, Colaba;
- (s) from interfering with any contractor or his agents or workmen who have been authorised to work in the coupes mentioned in II (r) above.

III. The Contractor agrees to perform the following conditions, that is to say:—

- (a) he shall defray all expenses which may be incurred in felling, converting and removing the timber, to which this contract applies;
- (b) no person other than the Contractor, except as is provided in the next following clause, can or shall have any part, share or interest in this contract;
- (c) in the event of the whole or any portion of this contract being sublet with the written permission of the Divisional Forest Officer the Contractor or shall be responsible for the acts and omissions of the sub-contractors and their servants as if they were the servants of the Contractor;
- (e) any material remaining within the coupe after the day on which, by the conditions hereinbefore contained the removal thereof is required to be completed, shall be the property of Government, and may be removed from the Group at the expense of the Contractor, in such manner as the Divisional Forest Officer shall decide;
- (f) any timber, removed from the group or from the depôt otherwise than in accordance with the conditions hereinbefore contained shall be liable to seizure by any Forest or Police Officer and when so seized shall be forfeited to Government;
- (g) any timber, remaining in the depôt aforesaid, or anywhere within the limits of the forest, after the day on which by the conditions hereinbefore contained the removal thereof is required to be completed, shall be the property of Government;
- (h) he shall be liable to Government for the amount of all damages which, at any time previous to the 31st day of May 1927, or such earlier date as the Divisional Forest Officer, may, by order in writing, fix in this behalf, may be caused to any forest produce belonging to Government either within or without the coupe, by illicit cutting, by fire or by cattle grazing, whether such cutting or fire is traceable to any act or omission of the Contractor, his servants or agents, or not, and whether such cattle belong to or have been allowed to graze by the Contractor, his servants or agents, or not. Failure to pay the said amount of damage as assessed by the Divisional Forest Officer shall make the Contractor liable to pay to Government a penalty of 500 rupees and the amount of such penalty shall be recoverable from the Contractor under Section 84 of the said Act as if it were an arrear of land-revenue;
- (i) he shall pay all such expenses as the Divisional Forest Officer may determine to be necessary for, or to have been incurred in the

execution of any work or thing to be done, which by the conditions hereinbefore contained he has bound himself to perform or do and which on requisition made by the Divisional Forest Officer he has failed or omitted within the time specified in such requisition to perform or do. Failure to pay the said expenses on demand by the Divisional Forest Officer shall make the Contractor liable to pay to Government a penalty of 500 rupees and the amount of such penalty shall be recoverable from the Contractor under Section 84 of the said Act as if it were an arrear of land-revenue;

- (j) The Divisional Forest Officer, in case of any breach of any condition hereinbefore contained, may, in lieu of or in addition to requiring the payment of or recovering any sum payable in case of any such breach, by a notice in writing served upon the Contractor, or, where there is more than one Contractor, upon any one of them on behalf of them all suspend the operation of this agreement pending the decision of the Conservator of Forests; and when the operation of this agreement has been so suspended the Contractor shall put a stop to all work thereunder, and all rights and claims of the Contractor and of his servants or agents thereunder shall be in abeyance pending the decision of the Conservator of Forests;
- (k) if in the opinion of the Conservator of Forests the Contractor or any of his servants or agents has or have broken, evaded, or failed to fulfil any of the conditions hereinbefore contained or infringed any provision of the forest law or rules for the time being in force, it shall be lawful for the said Conservator of Forests by a notice in writing to be served upon the Contractor, or where there is more than one Contractor, upon any one of them on behalf of them all, to put an end to this agreement, without prejudice to any right of the Secretary of State in respect of antecedent breaches of contract, and to retain out of the Contractor's deposit or out of any other money of the Contractor in the possession of any Forest Officer, or recover from the Contractor the amount, or such portion as is possible of the amount, of damages sustained by reason of the non-performance by the Contractor of this agreement, or instead of so putting an end to this agreement and retaining or recovering such sum, to retain or recover such sum without putting an end to this agreement:

Provided always that nothing in this clause or in the last preceding clause shall affect the liability of the Contractor, or of any of his servants or agents, to criminal prosecution for any offence committed by him or them against the forest law or rules for the time being in force;

- (l) if this agreement is put an end to by the Conservator of Forests as aforesaid, the privileges secured to the Contractor under this Contract may be re-sold by the Divisional Forest Officer, subject to the orders of the Conservator of Forests, at the risk of the Contractor (who shall have no claim to the profit, if any, realized by Government on such re-sale), or may be otherwise disposed of as the Conservator may direct and any money which may have been paid to Government under this agreement, and the entire stock of timber, firewood and other things in the coupe or at the dépôt aforesaid at the time at which the operation of the agreement was suspended by the Divisional Forest Officer, shall be and remain the property of Government, and shall be disposed of for the benefit of Government, in such manner as the Conservator of Forests directs.

IV. AND IN CONSIDERATION OF THE PREMISES the Secretary of State does hereby agree with the Contractor that, if he shall well and duly perform this

contract, he shall enjoy for and within the period and subject to the restrictions and conditions hereinbefore stipulated the following privileges, viz.:-

Item (a) of the schedule hereto annexed, and

- (a) the privilege of removing from the coupe for his own use, advantage and profit, timber, firewood and the other things specified in
- (b) the privilege of manufacturing charcoal within the coupe and of removing the same therefrom for his own use, advantage and profit.

AND it is further hereby agreed between the parties that in this agreement—

- (1) the term " Divisional Forest Officer " shall be deemed to mean the Divisional Forest Officer or any Forest Officer authorised by him in writing to act in the matter of the clause in which the said term is employed;
- (2) the term " Conservator of Forests " shall be deemed to mean the Conservator of Forests for the time being;
- (3) the term " Secretary of State " shall be deemed to mean the Secretary of State for India in Council, his successors and assigns;
- (4) the term " Contractor " shall include each and every person signing this contract, or in the case of this contract being entered into by a firm every member of such firm and his or their heirs, executors, administrators, and (subject to any condition against sub-letting or assigning this contract, or any portion thereof or any share of interest therein, which may be part of the conditions of this contract) his or their assigns, both jointly and severally.

IN WITNESS WHEREOF the Contractor has hereunto set his hand, and the Divisional Forest Officer, Colaba, by order of the Governor of Bombay in Council, has hereunto set his hand and seal for and on behalf of the Secretary of State the day and the year first above written.

Signed by Director, Western India Match Co.

in the presence of

(Sd.)

Western India Match Co., Ltd.

(Sd.)

Director.
Contractor.

Schedule referred to in the above Agreement.

(a) Materials, etc., which the Contractor has the privilege of removing from the coupe:—

All the timber obtained from the soft-wood species mentioned in list A below, and trees standing or fallen within the limits of the coupe as per plan attached.

(b) Description of material reserved under clause II (g):—

All forest produce granted to villagers under the rules or law or executive orders issued from time to time and for the time being in force.

(c) Description of trees reserved under clause II (a) (i). All tree-growth other than these mentioned in list A below.

LIST A.

Species of soft-woods for Match Manufacture.

1. Ailanthus Excelsa—Maharuk or Maha Nimb.
2. Bombax Malabaricum—Savar.

3. *Holoptelca Integrifolia*—Tapshi or Wawala.
4. *Hymonodictyon Excelsum*—Kala Kudah or Bhoisal.
5. *Kydia calycina*—Warung or Ran Bhendi.
6. *Odina Wodier*—Shemue or Modal or Mose.
7. *Spondias Mangifera*—Ambada.
8. *Trewia nudiflora*—Petari.
9. *Garuga pinnata*—Kakad.
10. *Mangifera indica*—Mango.

AGREEMENT BETWEEN THE ASSAM MATCH COMPANY, LIMITED,
AND THE CONSERVATOR OF FORESTS, ASSAM, DATED THE 23rd
OCTOBER 1925.

THIS AGREEMENT made this twenty-third day of October one thousand nine hundred and twenty-five between the Assam Match Company, Limited hereinafter called the Lessees which expression shall unless there is anything repugnant to the context include their representatives and permitted assigns of the one part and Frederick Trafford, Conservator of Forests, Assam, hereinafter called the Lessor which expression shall unless there is anything repugnant to the context include his representatives and successors in office of the other part Witnesseth whereas the Lessees have applied to the Lessor for the monopoly right of felling and extracting timber of soft wood species suitable for manufacturing match sticks and match boxes and packing boxes from the Government Reserved Forests between the Hel and the Sankos rivers more particularly described in the Schedule hereto annexed in the District of Goalpara, Assam, on the terms and conditions hereinafter set forth it is mutually agreed upon as follows:—

1. That the Lessees shall have the sole right of felling and extracting timber of soft wood species such as *Bambax Malabaricum*, *Derris Robusta*, *Machilus Odoratissima* or *Bombycina* and other soft wood trees suitable for the manufacture of match sticks and boxes from Government Reserved Forest between the Hel and the Sankos rivers more particularly described in the Schedule hereto for the period of one year from the 1st day of November one thousand nine hundred and twenty-five provided that the Divisional Forest Officer shall have power to permit the removal of timber required locally for building and firewood at his discretion.

2. That the Lessees shall pay within twenty days of the execution of these presents the monopoly fee of Rupees two thousand and sixty-two and annas eight for the rights hereby granted.

3. That the Lessees shall also pay royalty at the rate of six pies per cubic feet in the log for all timber extracted by them.

4. That all logs extracted by the Lessees shall be brought to a depôt or depôts mutually agreed upon between them and the Divisional Forest Officer, Goalpara, for measurement and marking by a Forest Officer authorised in this behalf by the Divisional Forest Officer, Goalpara.

5. That the cubic contents of logs shall be calculated according to the Mercer's tables.

6. That bills shall be made out on the measurements taken by the Forest Officer at the depôt and shall be paid by the Lessees as soon as possible after presentation so that transit passes for the removal of the timbers covered by the bills may be issued.

7. That the Lessees shall be responsible for the works of the employees and workmen in the breach of any provision of the Assam Forest Regulation or Rules made thereunder.

8. That the Lessees shall if called upon by the Divisional Forest Officer, Goalpara, submit to him a list of all their workmen and employees engaged in connection with their work under this agreement and shall not employ any person whom the Divisional Forest Officer, Goalpara, may disapprove.

9. That this agreement shall expire on the thirty-first day of October one thousand nine hundred and twenty-six and the Lessees shall have the option of working under it for a further period of one year from first day of November one thousand nine hundred and twenty-six on the terms herein set forth.

10. That the rights conferred and the liabilities created by this agreement shall not be transferred except with the written permission of the Governor in Council, Assam, and his decision shall be final in the case of disagreement between the parties hereto as to the interpretation of any clause of this agreement.

11. That the breach of any of the conditions of this agreement by the Lessees or their workmen or employees shall render it liable to be cancelled by the Conservator and the Lessees shall be responsible for paying the prescribed royalty on all timbers felled by them either lying in the forest or brought to the depôt—a reasonable time for their removal being granted by the Divisional Forest Officer, Goalpara.

IN WITNESS whereof the above Company has hereunto affixed its common seal and the Conservator of Forests, Assam, has hereunto set his hand the day and the year first above written.

(Sd.) FREDERICK TRAFFORD,
*Conservator of Forests,
Assam.*

Signed by the said Conservator of
Forests, Assam, in the presence of

Witness:

(Sd.) SURESH CHANDRA
MUKHERJI,
*Superintendent, Conservator's Office,
Assam.*

The common seal of the above-named Assam Match Company, Limited, was hereunto affixed by the direction and in the presence of The Hon'ble Samuel Best and R. Thorburn two of the Directors thereof who have hereunto set their hands in the presence of



(Sd.) PANKAR BHURAN, <i>Asstt. to Messrs. Morgan & Co., Solicitors, Calcutta.</i>	(Sd.) SAMUEL BEST (Sd.) R. THORBURN	} <i>Directors.</i>
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The Schedule above referred to.

The Kachugaon Reserve and a portion of the Ripu Reserve bounded as follows:—

North	.	.	The Bhutan Boundary from the Sankos river to the Hel river.
East	.	.	The Hel river from the Bhutan boundary to the point where it meets the Southern boundary of the Ripu Reserve.

South From the abovementioned point along a portion of the Southern boundary of the Ripu Reserve and the Southern boundary of the Kachugaon Reserve to the Sankos river.

West From above point the Sankos river to the Bhutan boundary.

(Sd.) SAMUEL BEST

(Sd.) R. THORBURN.

Witness:

PANKAR BHURANTHIS.

Witness:

(Sd.) SURESH CHANDRA

MUKHERJI,

(Sd.) FREDERICK TRAFFORD,

*Superintendent, Conservator's Office,
Assam.*

*Conservator of Forests,
Assam.*

SUPPLEMENTARY STATEMENTS.

No. 1.—COST OF MANUFACTURING BOXES BY MACHINES.

Swedish Match Company, Bombay.

Letter, dated the 26th November 1927.

During the Tariff Board's visit to our Ambernath factory the President, Sir P. Ginwala, expressed a desire to be informed regarding the cost of manufacturing boxes by machines, and I, therefore, give you the figures hereunder.

Please note that the figures are for inner and outer boxes together, excluding box-closing and box-labelling.

	Rs.	Rs. A. P.
Interest on invested capital	0-022208	0 0 4-26
Depreciation	0-023133	0 0 4-44
Maintenance	0-011104	0 0 2-13
Power	0-007013	0 0 1-35
European Fitters	0-030000	0 0 5-76
Indian Fitters	0-015000	0 0 2-88
Wages	0-100000	0 1 7-20
Overhead expenses	0-010000	0 0 1-92
TOTAL	0-218458	0 3 5-94
Waste of materials	0-140000	0 2 2-88
GRAND TOTAL	0-358453	0 5 8-82

This corresponds to 5 annas 9 pies per thousand, inner and outer boxes, together.

No. 2.—ADDITIONAL INFORMATION AND CORRECTIONS TO REPLIES TO QUESTIONNAIRE.

Letter from the Swedish Match Company, Bombay, dated the 11th December, 1927.

On going through my replies to your Questionnaire dated April this year, I find that certain additional information and corrections will be necessary. This is partly due to changed conditions during the seven months that have elapsed and also to the fact that some errors have been made in compiling the figures, due to the very short time which was then at our disposal.

Please find attached the following Statements giving the corrections referred to:—

Appendix I—Capacity of our Factories.—With regard to the increased figure, kindly note that the previous capacity was calculated on the output per machine achieved so far. Considerable improvement has occurred in this respect during the current year, hence the necessity for the adjustment.

Appendix II—In order that your records may be brought up-to-date, we submit our output figures for the eleven months of this year.

Appendix III—Quantity of wood required for 100 gross of matches.

Appendix IV—Our annual wood requirements. (A) Full Size Factories. (B) Half Size Factories.

Appendix V—(A) Present cost of Indian wood. (B) Quantities of Indian wood delivered at Ambernath Factory during 1926 (12 months) and 1927 (1st January to 7th December current).

Appendix VI—Our total requirements of each material, also given per 100 gross of matches.

Appendix VII—Present scale of wages.

Appendix VIII—Working capital required. The increase here is only a natural sequence of the higher capacity figures.

Appendix IX—Revised figures regarding difference between hand and machine making.

Appendix X—Revised figures regarding number of workmen employed at our Factories.

I should be glad to know whether any further information is required in order to make my replies to the Questionnaire clear and complete.

APPENDIX I.—Capacity of our Factories in Gross per Working Day.

Ambernath	10,000	size 8
Calcutta	5,250	„ 1-D
Dhubri	1,750	„ 8
Rangoon	2,000	„ 1-D

Gross 19,000 per day.

APPENDIX II.—Monthly

Month.	Ambernath.						Calcutta.			
	Safeties.		Sulphurs.			Total.		Size.		
	Size.		Size.	Size.	Total.		C./S. of 50 Gr.	Gross.	C./S. of 50 Gr.	Gross.
	C./S. of 50 Gr.	Gross.	C./S. of 50 Gr.	C./S. of 50 Gr.	C./S. of 50 Gr.	Gross.				
1924.										
August	857	42,850	..	..	..	..	857	42,850	..	5,950
Sept.	684	34,200	..	..	..	..	684	34,200	119	13,900
Oct.	636	31,800	..	..	..	..	636	31,800	278	18,700
Nov.	647	32,996	..	..	..	..	647	32,996	374	18,700
Decr.	699	40,450	..	..	..	..	699	40,450	326	16,300
Total	3,523	182,296	..	..	..	..	3,523	182,296	1,097	54,850
1925.										
Jan.	650	32,600	..	..	..	..	650	32,600	219	10,950
Febr.	601	30,050	..	..	..	..	601	30,050	342	17,100
March	829	41,450	..	..	..	..	829	41,450	386	19,300
April	1,102	55,100	..	..	..	..	1,102	55,100	409	20,450
May	1,108	55,400	..	..	..	..	1,108	55,400	649	32,450
June	1,113	55,650	..	..	..	..	1,113	55,650	778	38,900
July	1,273	63,650	..	..	..	..	1,273	63,650	893	44,650
August	1,117	55,850	..	..	..	..	1,117	55,850	1,006	50,500
Sept.	1,652	82,600	..	..	..	..	1,652	82,600	881	44,050
Oct.	1,631	81,550	..	..	..	..	1,631	81,550	957	47,850
Nov.	2,223	111,150	..	..	..	..	2,223	111,150	982	49,100
Decr.	2,218	110,900	..	..	..	..	2,218	110,500	1,371	68,550
Total	15,717	785,950	..	..	..	..	15,717	785,950	8,873	443,650
1926.										
Jan.	2,348	117,400	..	..	..	..	2,348	117,400	1,720	86,000
Febr.	1,500	75,000	..	..	..	..	1,500	75,000	1,412	70,600
March	2,408	120,400	..	..	..	..	2,408	120,400	1,531	76,550
April	2,347	117,350	..	..	..	..	2,347	117,350	759	37,950
May	3,202	160,100	..	..	..	..	3,202	160,100	697	45,350
June	4,101	205,050	..	..	..	..	4,101	205,050	1,204	60,200
July	4,750	237,500	..	..	..	..	4,750	237,500	1,681	83,050
August	4,941	247,050	..	..	..	..	4,941	247,050	2,092	104,600
Sept.	4,190	209,500	..	..	..	..	4,190	209,500	1,634	81,700
Oct.	4,729	236,450	..	..	..	..	4,729	236,450	2,077	103,850
Nov.	2,578	128,900	..	..	..	..	2,578	128,900	2,018	100,900
Decr.	2,846	142,300	..	..	..	..	2,846	142,300	..	..
Total	39,940	1,997,000	..	..	..	..	39,940	1,997,000	18,956	947,800
1927.										
Jan.	3,302	165,100	..	..	..	..	3,302	165,100	2,250	112,500
Febr.	3,076	153,800	..	..	..	..	3,076	153,800	2,136	106,800
March	2,928	146,400	..	..	..	..	2,928	146,400	1,754	87,700
April	3,047	152,350	..	..	..	..	3,047	152,350	1,672	83,600
May	3,864	193,200	..	..	..	..	3,864	193,200	1,713	85,650
June	3,862	193,100	5	..	5	250	3,867	193,300	1,843	92,150
July	3,948	197,400	18	..	18	900	3,966	198,300	1,935	96,750
August	4,219	210,900	..	..	..	..	4,219	210,950	2,181	109,050
Sept.	4,308	215,400	19	..	19	950	4,327	216,350	2,082	104,100
Oct.	3,774	188,700	350	..	350	17,500	4,124	206,200	1,787	89,350
Nov.	4,590	229,500	202	..	202	10,100	4,792	239,600	2,397	119,850
Decr. . . . .	..	..	..	..	..	..	..	..	..	..
Total	40,918	2,045,900	594	..	594	29,700	41,512	2,075,600	21,750	1,087,500

production: Indian Factories.

Burms.		Mandalay.		Dhubri.		Parel.				Total.	
‡ Size.		‡ & † Size.		‡ Size.		‡ Size.				Cases.	Gross.
C./S. of 50 Gr.	Gross.	C./S. of 50 Gr.	Gross.	C./S. of 50 Gr.	Gross.	C./S. of 50 Gr.	Gross.	C./S. of 50 Gr.	Gross.		
..	..	..	..	..	..	..	..	..	..	857	42,850
..	..	..	..	..	..	..	..	..	..	808	40,150
..	..	..	..	..	..	..	..	..	..	914	45,700
..	..	..	..	..	..	..	..	..	..	1,021	51,696
..	..	..	..	..	..	..	..	..	..	1,025	56,750
..	..	..	..	..	..	..	..	..	..	4,620	237,146
..	..	..	..	..	..	..	..	..	..	869	43,550
..	..	..	..	..	..	..	..	..	..	943	47,150
..	..	..	..	..	..	..	..	..	..	1,215	60,750
..	..	..	..	..	..	..	..	..	..	1,511	75,550
..	..	..	..	..	..	..	..	..	..	1,757	87,850
..	..	..	..	..	..	..	..	..	..	1,891	94,550
..	..	..	..	..	..	..	..	..	..	2,166	108,300
..	..	..	..	..	..	..	..	..	..	2,221	110,033
98	4,883	..	..	..	..	..	..	..	..	2,876	143,783
348	17,133	..	..	..	..	..	..	..	..	3,117	155,800
811	15,525	18	875	..	..	..	..	..	..	3,705	185,242
406	23,900	94	4,692	..	..	..	..	..	..	4,214	210,700
451	22,550	174	8,700	..	..	..	..	..	..	..	..
1,609	80,891	236	14,287	..	..	..	..	..	..	26,485	1,323,258
409	20,450	155	7,750	..	..	..	..	..	..	4,632	231,600
330	16,500	138	6,400	..	..	..	..	..	..	3,430	171,500
422	31,100	324	16,200	..	..	..	..	..	..	4,685	234,250
280	13,000	223	11,400	..	..	..	..	..	..	3,594	179,700
429	21,450	177	8,850	..	..	..	..	..	..	4,715	235,750
319	15,950	156	7,800	..	..	..	..	..	..	5,780	289,000
308	16,150	220	11,000	..	..	..	..	..	..	7,014	350,700
275	13,750	204	10,200	116	5,800	..	..	..	..	7,397	369,850
381	19,050	154	7,700	157	7,850	..	..	..	..	6,874	348,700
349	17,450	..	..	119	5,950	..	..	..	..	6,831	341,550
481	21,550	..	..	111	5,550	162	8,100	..	..	5,359	267,950
527	26,850	..	..	185	6,750	110	5,500	..	..	5,638	281,800
4,435	221,750	1,806	90,300	638	31,900	272	13,600	..	..	66,047	3,302,350
485	24,250	..	..	219	10,950	154	7,700	..	..	6,410	320,500
458	22,900	..	..	257	12,850	193	9,650	..	..	6,120	306,000
561	28,050	..	..	311	15,550	236	11,800	..	..	5,799	289,500
558	27,900	..	..	345	17,250	84	4,200	..	..	5,708	285,800
559	27,950	..	..	476	23,800	..	..	..	..	6,612	330,600
556	27,800	..	..	418	20,900	..	..	..	..	6,684	334,200
621	31,050	..	..	343	17,150	..	..	..	..	6,865	343,250
750	37,500	..	..	506	25,300	..	..	..	..	7,656	382,800
786	39,300	..	..	552	27,650	..	..	..	..	7,748	387,400
741	37,050	..	..	542	27,100	..	..	..	..	7,194	359,700
792	39,900	..	..	750	37,500	..	..	..	..	8,737	436,850
..
6,873	343,650	..	..	4,720	236,000	667	33,350	..	..	75,522	3,776,100

APPENDIX III.—Consumption of Wood per Case in Cubic Feet (100 Gross).

	Fresh Wood.	Old Wood.
<i>Size 8—</i>		
Aspen for Splints	6'6	8
Aspen for Boxes	6'6	8
	<hr/>	<hr/>
TOTAL	13'2	16 cubic feet.
	<hr/>	<hr/>
Indian Wood for Splints	9'0	12
Indian Wood for Boxes	9'0	12
	<hr/>	<hr/>
TOTAL	18'0	24 cubic feet.
	<hr/>	<hr/>
<i>Size 1-D—</i>		
	Fresh Wood.	Old Wood.
Aspen for Splints	11'2	13'2
Aspen for Boxes	9'0	10'8
	<hr/>	<hr/>
TOTAL	20'2	24'0 cubic feet.
	<hr/>	<hr/>
Indian Wood for Splints	17'5	20'5
Indian Wood for Boxes	15'5	20'0
	<hr/>	<hr/>
TOTAL	33'0	40'5 cubic feet.
	<hr/>	<hr/>

APPENDIX IV (A).—Requirements of Indian Wood.

*Indian Wood for Boxes and Imported Wood for Splints.**Full Size Factories:—*

Calcutta	100 cases per day.
Burma	35 " " "
	<hr/>
TOTAL	135 cases per day.
	<hr/>

or per year (300 working days)	40,500 cases
Requirements per case	10 c. ft.
Total number of c. ft.—405,000=	8,100 tons.
Former figure	8,000 tons.
	<hr/>

Indian Wood for Packing Cases.

In both Ambernath and Dhubri we have machinery at our disposal to make our own packing cases.

In case we resort to this manufacture, the following additional annual quantities of soft wood would be required:—

Ambernath, 60,000 cases, 3½ c. ft., 210,000 c. ft.	4,200 tons.
Dhubri, 10,500 cases, 3½ c. ft., 36,750 c. ft.	735 tons.
	<hr/>
	4,935 tons.
	<hr/>

In such case Dhubri will manufacture cases for Calcutta Factory as well.

Calcutta, 30,000 cases, 5½ c. ft., 157,500 c. ft.	3,150 tons.
TOTAL	8,085 tons.

APPENDIX IV (B).—Requirements of Indian Wood.

Indian Wood for Boxes and Imported Wood for Splints.

Half Size Factories.—

Ambernath	200 cases per day.
Dhubri	35 „ „ „
TOTAL	235 cases per day.

or per year (300 working days)	70,500 cases.
Requirements per case	5 c. ft.
Total number of c. ft. = 352,500	7,050 tons.
Plus Splints for Dhubri, 10,500 cases c. ft. =	
52,500	1,050 „
	8,100 tons.
Former figure	5,000 tons.

Should we resort to manufacturing our own packing cases the following additional annual quantities of Indian soft wood would be required:—

	Tons.
Ambernath, 60,000 cases, 3¼ c. ft., 210,000 c. ft.	4,200
Dhubri, 10,500 cases, 3¼ c. ft., 36,750 c. ft.	735
	4,935
Calcutta, 30,000 cases, 5½ c. ft., 157,500 c. ft.	3,150
TOTAL	8,085

If only Indian Wood be used for the above, our requirements will be:—

	Tons.
For Calcutta and Burma	16,200
„ Ambernath and Dhubri	14,100
„ Packing Cases	8,085
TOTAL	38,385

APPENDIX V (A).—*Present Cost of Indian Wood at Bombay, Calcutta and Rangoon.*

Bombay:—

Sawar (Bombax Malabari-cum)	Rs. 45 to Rs. 52-8 per ton, f.o.r. Ambernath.
Salai (Boswellia Serrata)	Rs. 38 to Rs. 42 per ton, f.o.r. Ambernath.

Calcutta:—

Genwa	Varying from Rs. 25 to Rs. 34 per ton according to the demand in the market.
Andaman Wood	Rs. 54 to Rs. 60 per ton, according to specie.
Burma	Rs. 35 to Rs. 42 per ton, according to specie.

APPENDIX V (B).—*Statement of Indian Wood supplied to Ambernath Factory during the years 1926 and up to 1st December, 1927.*

Year.	January.	February.	March.	April.	May.	June.
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
1926	186-27	191-73	457-89	497-88	538-69	510-81
1927	662-92	1,640-65	1,380-01	460-69	384-15	72-74

Year.	July.	August.	Septem-ber.	October.	Novem-ber.	December.	Grand Total.
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
1926	102-51	68-63	64-41	147-10	258-95	404-22	3,457-06
1927 . . . . .	...	...	...	6-94	19-62	18-82	4,864-68

APPENDIX VI.—Statement showing total yearly consumption of Raw Materials for all our Factories as well as consumption per Case of 100 Gross for Size 8 and 1-D.

	1/2 size 100 gross.	1/1 size 100 gross.	Total requirements 1/2 size 70,500 c/s, 1/1 size 43,500 c/s.
Paraffin lbs.	18·00	21·44	1,100·820
Am. Phosphorus	1·02	1·96	78·585
Sulphur	1·48	2·38	103·935
Antimony	0·60	1·42	52·035
Glue	5·34	3·98	204·300
Chlorate of Potash	15·48	20·66	996·025
Bichromate of Potash	0·46	0·60	29·265
Manganese	0·56	1·88	69·650
Glass Powder	4·52	5·76	284·610
Phosphoric Acid 100%	0·94	1·64	68·805
Red Ochre/Umber	2·28	1·68	121·260
Rhodamine B. Extra	0·02	0·02	1·140
Flour for Paste	11·40	13·12	687·210
Inner Box paper	7·70	11·60	523·725
Outer Box paper	6·66	8·52	420·075
10 Packet paper . . . . .	...	10·02	217·500
12 Packet paper	6·22	8·76	409·725
1/2 gross paper	3·50	...	123·375
1/1 gross paper . . . . .	...	3·62	78·735
Box Labels 1000	15·63	15·82	896·805
10 Packet labels . . . . .	...	1·42	30·885
12 do.	1·24	1·22	70·245
1/2 Gross packet labels	0·22	...	7·755
1/1 Gross do. . . . .	...	0·10	2·175
Tin labels . . . . .	...	12·48	279·270
Ocean paper lbs.	2·08	...	73·320
Far paper	3·30	...	116·325
Zinc plate	12·04	14·32	753·870
Nails	2·04	2·04	116·280

APPENDIX VII.—The present Lowest and Highest Wages paid per day at our different Factories.

Place.	Men.	Women.	Children.	Average.
	Rs.	Rs.	Rs.	Rs.
Ambernath	0.75	0.63	... }	1.10
	2.35	1.00		
Calcutta	0.82	0.63	... }	1.47
	2.50	1.06		
Burma	0.70	0.55	0.40 }	0.70
	1.48	0.75		
Dhubri	0.63	0.50	0.50 }	1.14
	2.00	0.94		

APPENDIX VIII.—Working Capital.

	Rs.
The Western Indian Match Company, Limited	20,50,000
The Burma Match Company, Limited	3,00,000
The Assam Match Company, Limited	1,75,000
TOTAL	25,25,000

APPENDIX IX.—Statement showing difference in cost per case between Hand and Machine Work.

—	By hand.	By machine.	Difference.
	Rs.	Rs.	Rs.
Box Filling	3.39	2.49	1.80
Box Making	6.07	1.48	} 3.59
Additional waste . . . . .	...	1.00	
		2.49	

APPENDIX X.—Indian workmen employed at our Factories in India on November, 1927.

Name of Factory.	Men.	Women.	Children.	Coolies.	Total.
Ambernath	802	269	10	191	1,272
Calcutta	624	46	...	91	761
Dhubri	216	3	55	51	325
Burma	227	203	...	59	489
				Total	2,847

No. 3.—COSTS OF THE COMPANY'S INDIAN FACTORIES AND COMPARATIVE STATEMENT OF PRESENT SELLING PRICES OF MATCHES.

Copy of a letter dated the 12th December, 1927, from the Swedish Match Company to the Tariff Board.

Herewith the costs for our various Indian factories with 1927, for a period covering 10 months.

I am sorry for the delay, but we have been trying to include November as well, in order to make the statement as complete as possible. Certain figures may however take another couple of days, and in order not to hold up matters any further, I am sending the costs along as they are, particularly in view of your lines of even date.

I also enclose a comparative statement of prices imported and local, which may facilitate calculations at the time of my hearing.

THE WESTERN INDIA MATCH CO., LTD., AMBERNATH FACTORY.

FORM I. (See Question 75.)

Statement showing Total Expenditure on the production of Matches during the last four years.

	1924.	1925.	1926.	1927.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.
1. Cost of wood for splints and veneers.	105,609 11	403,784 13	792,988 0	641,112 4
2. Cost of paper	8,332 14	40,790 15	91,585 10	82,730 2
3. Cost of chemicals	31,165 10	125,429 0	279,714 0	232,205 7
4. Cost of other raw materials	9,350 13	51,081 1	119,173 2	79,576 6
5. Factory labour	76,167 7	314,619 4	593,444 1	295,719 9
6. Power and Fuel	14,049 7	65,752 0	56,304 12	39,690 8
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	13,490 13	84,499 3	119,059 13	125,772 13
8. General services, supervision and local office charges.	34,936 0	119,676 5	197,473 6	153,873 0
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	5,978 2	11,790 10	27,970 11	26,848 9
10. Cost of packing cases	23,292 9	100,906 0	212,137 11	179,384 9
TOTAL	322,373 6	1,318,129 3	2,488,851 2	1,856,913 3
Total production of matches for the year in gross	182,296	735,950	1,997,000	1,836,000

FORM II. (See Question 75.)

Statement showing works cost per gross of Matches.

	1924.			1925.			1926.			1927.		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
1. Cost of wood for splints and veneers	0	9	4	0	8	3	0	6	4	0	5	7
2. Cost of paper	0	0	9	0	0	10	0	0	9	0	0	9
3. Cost of chemicals	0	2	9	0	2	6	0	2	3	0	2	0
4. Cost of other raw materials	0	0	10	0	1	1	0	0	11	0	0	8
5. Factory labour	0	6	8	0	6	4	0	4	9	0	2	7
6. Power and Fuel	0	1	3	0	1	4	0	0	5	0	0	4
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	0	1	2	0	1	9	0	0	11	0	1	1
8. General services, supervision and local office charges.	0	3	1	0	2	5	0	1	7	0	1	4
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	0	0	6	0	0	3	0	0	4	0	0	3
10. Cost of packing cases	0	2	0	0	2	1	0	1	8	0	1	7
TOTAL	1	12	4	1	10	10	1	3	11	1	0	2
Credit for materials recovered (if any)	0	0	2	0	0	5						
NET TOTAL	1	12	2	1	10	5	1	3	11	1	0	2
Total production for the year, in gross	182,296			785,950			197,000			1,836,000		

THE WESTERN INDIA MATCH CO., LTD., CALCUTTA FACTORY.

FORM I. (See Question 75.)

Statement showing Total Expenditure on the production of Matches during the last four years.

	1924.		1925.		1926.		1927.	
	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.
1. Cost of wood for splints and veneers	46,350	0	300,020	2	563,991	13	940,473	5
2. Cost of paper	1,538	5	25,448	12	60,700	7	56,746	14
3. Cost of Chemicals	9,706	4	85,777	12	209,898	13	169,172	0
4. Cost of other raw materials	1,068	10	33,147	4	71,332	15	60,357	12
5. Factory labour	14,575	3	142,141	5	817,113	6	216,393	9
6. Power and Fuel	3,300	3	23,650	6	33,871	6	15,418	4
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	6,926	2	40,525	2	114,969	3	63,667	0
8. General services, supervision and local office charges.	12,287	14	78,367	14	148,432	1	104,626	13
9. Miscellaneous, e.g., rent, municipal taxes, insurance etc.	13,955	11	33,633	13	48,277	15	49,432	12
10. Cost of packing cases	4,956	13	59,472	8	126,817	3	129,992	11
TOTAL	114,665	1	822,184	14	1,695,405	2	1,206,281	0
Total production of matches for the year, in gross	54,850		443,650		947,800		967,650	

Form II. (See Question 75.)

Statement showing works cost per gross of Matches.

	1924.	1925	1926.	1927.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1. Cost of wood for splints and veneers.	0 13 6	0 10 10	0 9 6	0 5 8
2. Cost of paper	0 0 5	0 0 11	0 1 1	0 0 11
3. Cost of chemicals	0 2 10	0 3 1	0 3 7	0 2 2
4. Cost of other raw materials	0 0 4	0 1 2	0 1 2	0 1 0
5. Factory labour	0 4 3	0 5 2	0 5 4	0 8 7
6. Power and Fuel	0 1 0	0 0 10	0 0 7	0 0 3
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	0 2 0	0 1 6	0 1 11	0 1 0
8. General services, supervision and local office charges.	0 3 7	0 2 10	0 2 5	0 1 9
9. Miscellaneous, e.g., rent, municipal taxes, insurance etc.	0 4 1	0 1 2	0 0 10	0 0 10
10. Cost of packing cases	0 1 5	0 2 2	0 2 2	0 2 2
TOTAL	2 1 5	1 13 8	1 12 7	1 3 11
Credit for materials recovered (if any)	0 0 7	0 0 3	...	...
NET TOTAL	2 0 10	1 13 5	1 12 7	1 3 11
Total production of Matches for the year, in gross.	54,650	443,650	947,800	967,650

THE BURMA MATCH CO., LTD., KANAUNG FACTORY.

Form I. (See Question 75.)

Statement showing Total Expenditure on the production of Matches during the last three years.

	1925.	1926.	1927.
	Rs. A.	Rs. A.	Rs. A.
1. Cost of wood for splints and veneers	23,280 6	69,694 1	101,611 3
2. Cost of paper	6,456 0	15,208 12	25,268 2
3. Cost of chemicals	17,973 6	49,964 0	52,151 6
4. Cost of other raw materials	3,298 1	8,195 7	19,534 13
5. Factory labour	22,622 13	57,021 0	80,084 15
6. Power and Fuel	7,097 0	21,102 0	21,084 12
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	7,231 11	16,307 4	23,610 5
8. General services, supervision and local office charges.	20,190 2	59,821 8	74,279 8
9. Miscellaneous, i.e., rent, municipal taxes, insurance, etc.	2,262 13	1,726 0	13,693 5
10. Cost of packing cases	6,326 10	22,124 5	33,763 5
TOTAL	117,023 14	321,164 5	475,076 10
Special Depreciation on old machinery . . . . .	...	...	33,586 10
NET TOTAL	117,023 14	321,164 5	508,663 4
Total production of Matches for the year, in Gross.	80,391	221,750	384,617

FORM II. (See Question 75.)
Statement showing works cost per gross of Matches.

	1925.			1926.			1927.		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
1. Cost of wood for splints and veneers	0	4	7½	0	5	1	0	4	2½
2. Cost of paper	0	1	4	0	1	1	0	1	0½
3. Cost of chemicals	0	3	7	0	3	7½	0	3	5
4. Cost of other raw materials	0	0	8	0	0	7	0	0	9½
5. Factory labour	0	4	6½	0	4	1	0	3	4
6. Power and fuel	0	1	5	0	1	6½	0	0	10
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	0	1	5½	0	1	2	0	1	0
8. General services, supervision and local office charges.	0	4	0	0	4	3½	0	3	1
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	0	0	5	0	0	1½	0	0	6½
10. Cost of packing cases	0	1	3	0	1	7	0	1	5
Total	1	7	3½	1	7	2	1	3	9
Special depreciation on old machinery . . . . .	..	..	..	..	..	..	..	..	..
Nett Total	1	7	3½	1	7	2	1	5	2
Total production of matches for the year. in gross	80,391			221,750			384,617		

THE ASSAM MATCH CO., LTD., DHUBRI FACTORY.

FORM I. (See Question 75).

Statement showing Total Expenditure on the production of Matches during the last two years.

	1926.			1927.		
	Rs.	A.	P.	Rs.	A.	P.
1. Cost of wood for splints and veneers	3,497	11	0	14,701	6	0
2. Cost of paper	811	10	0	12,272	15	0
3. Cost of chemicals	4,104	14	0	38,817	14	0
4. Cost of other raw materials	738	10	0	12,119	9	0
5. Factory labour	10,466	13	0	54,772	13	0
6. Power and fuel	5,653	7	0	6,152	11	0
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	895	12	0	13,377	1	1
8. General services, supervision and local office charges.	11,015	1	0	49,297	9	0
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	1,287	0	0	7,713	5	0
10. Cost of packing cases	741	0	0	27,310	0	0
Total	39,211	14	0	238,529	3	0
Total production of matches for the year, in gross	31,900			269,100		

Form II. (See Question 75.)

Statement showing works cost per gross of Matches.

	1926.		1927.	
	Rs.	A. P.	Rs.	A. P.
1. Cost of wood for splints and veneers	0	1 9	0	0 11
2. Cost of paper	0	0 5	0	0 9
3. Cost of chemicals	0	2 1	0	2 4
4. Cost of other raw materials	0	0 4½	0	0 9
5. Factory labour	0	5 3	0	3 3
6. Power and fuel	0	2 10	0	0 4
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	0	0 5	0	0 9½
8. General services, supervision and local office charges.	0	5 6	0	2 11
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	0	0 8	0	0 5½
10. Cost of packing cases	0	0 4½	0	1 7
Total	1	3 8	0	14 1
Credit for materials recovered (if any)	0	1 8	...	...
Nett Total	1	2 0	0	14 1
Total production of matches for the year, in gross	31,900		269,100	

Comparative Statement of Present Selling Prices, Imported and Local.

1/2 Size.

Imported.	Rs. A. P.	Local.	Rs. A. P.
Average c.i.f. all ports, sh. 1-7. 2½. in rupees.	1 1 0½	Cost, ex-Factory	1 3 11.
Landing charges	0 0 6	Depreciation	0 1 0
Importer's commission	0 0 9	Head office expenses	0 1 1½
London House commission	0 0 3	Selling expenses including dealer's and Agent's commission.	0 4 0
Dealer's commission	0 1 6		
	1 4 0½		1 10 0½

1/1 Size.

Imported.	Rs. A. P.	Local.	Rs. A. P.
Average c.i.f. all ports, sh. 1., in rupees.	0 10 8	Cost ex-Factory	1 0 2
Landing charges	0 0 6	Depreciation	0 0 9
Importer's commission	0 0 9	Head office expenses	0 1 1½
London House commission	0 0 3	Selling expenses including dealer's and Agent's Commission.	0 2 7
Dealer's commission	0 1 6		
	0 13 8		1 4 7½

No. 4.—PERCENTAGE OF CAPITAL IN THE ASSAM MATCH COMPANY HELD BY INDIAN SHAREHOLDERS.

Copy of a letter from the Swedish Match Company, dated the 12th December 1927.

Your Mr. President requested me during the hearing in April to supply the actual percentage of capital held in the Assam Match Company, Limited, by Indian shareholders.

The capital is Rs. 5 lacs paid up, of which Rs. 3 lacs are held by my Company, and the balance of Rs. 2 lacs by others. Of these Rs. 2 lacs, Rs. 92,100 are being held by Europeans, leaving approximately 21 per cent. with Indian shareholders.

I wish to point out, however, that shares are changing hands in the ordinary way of stock exchange daily, but that these transactions are not always registered with us until shortly before the General Meeting. It is consequently quite possible that the above proportion, which held good at the time of our last general meeting about 9 months ago, will in the meantime have changed in one direction or other.

No. 5.—MEMORANDUM BY MR. IVAR KRAUGAR, REGARDING THE MATCH TRADE IN INDIA.

During the past years a considerable agitation has been carried on in India against the Swedish Match Company, advocating special laws and regulations discriminating against the Swedish Match Company in favour of the local Indian Match Manufacturers. The latter, many of whom have taken a very active part in the agitation, evidently hoped to gain advantages for themselves in this way and to create difficulties for an important competitor.

In this agitation two charges have generally been brought against the Swedish Match Company, viz., that it carries on a systematic dumping policy with the object of destroying the business of the local Indian Match Manufacturers, and that the Company is aspiring to a monopoly of the Indian match trade in order to be able to charge the public exorbitant prices for its products.

In order to give the Indian Tariff Commission an opportunity to form a correct opinion on these questions the Swedish Match Company desires to give a short outline of its general price policy.

It must be evident to anybody with experience in the export business that a Company like the Swedish Match Company, doing business in all different parts of the world, cannot adopt a uniform price policy for all countries. The selling price of matches must vary not only according to the manufacturing cost of different types of matches but also according to local competition, purchasing power of the public, popularity of a certain trade-mark and a great number of other factors. In many instances the monetary system of a country is decisive for the retail price which the public has to pay. For example, in the United States the retail price of matches will be at least 1 cent a box and in Great Britain at least 1 penny a box, independently of the price charged by the manufacturer. It is natural that in such cases the Swedish Match Company will be able to obtain for its well-established trade-marks considerably higher prices than its competitors and a lowering of the prices quoted by the Swedish Match Company, for its products would not then be of any benefit to the public. In other countries like India where the retail price of matches plays a greater role to the public than in the United States and England and consequently is more closely dependent upon the price charged by the manufacturer, it is

necessary for the Swedish Match Company to maintain prices on practically the same level as the competitors. Even in India old established trade-marks may for a certain time admit of higher prices to the public, but if any considerable difference in price exists the more expensive brands of matches will soon lose their hold on the market and ultimately disappear.

It is generally recognised that for an industrial enterprise to carry on a regular dumping policy it is necessary to have a large home market protected by high tariffs so that the profits obtained from the home market can compensate for the losses made on the export business. This condition is not fulfilled for the Swedish Match Company, for which the home market only amounts to a few per cent. of the total trade, and it would therefore be absolutely impossible for the Company to adopt dumping as a general policy.

As far as the Indian factories under the control of the Swedish Match Company are concerned, the instructions given from Sweden have been that matches should not be sold except at prices at least covering all costs including all overhead charges.

In the case of matches exported from Sweden, profit has for the last years been kept on a very nominal level in order to keep our prices in line with other match exporting countries supplying the Indian market.

In view of the uncertainty regarding the view of the Indian Government upon the existing high import duty on matches, namely whether it is to be continued to be looked at as a purely revenue duty or whether it is in future to be considered a protective one the Swedish Match Company has wanted to maintain its well-known Swedish brands in the Indian market even at an extremely small margin of profit to itself.

However, should the duty be declared a protective one, the price policy outlined above would not be continued.

Regarding the charge that the Swedish Match Company is trying to establish a monopoly in India it must be emphatically denied that the policy of the Company is to establish such a monopoly.

Except in cases where the Swedish Match Company has made agreements with Governments, the Company has never aimed at obtaining a monopoly of the trade, but only at getting the opportunity to compete on equal terms with its competitors.

In order to understand the position of the Swedish Match Company with regard to the development of the Match Industry in India, it must be pointed out that the modern match industry has been made possible entirely through Swedish inventions and that during the last 80 years the most important improvements in manufacturing methods and machinery have originated in Sweden. For half a century the Swedish Match Industry has had a firmly established trade in India. Under such conditions it seems that the Swedish Match Company has a strong moral claim to participate in the Indian match trade, and the efforts made by the Swedish Match Company to maintain or strengthen its position in India ought not to be regarded as unjustified or aggressive. For more than 50 years the Company, or its predecessors, has been the main factor in deciding the prices in the export markets, and no case can be shown where the Company has abused its position by charging excessive prices to the public.

When our competitors have claimed that we were charging excessive prices in different countries they have been unable to give any other instances than the prices of matches in countries with State monopolies, such as Peru. It is entirely incorrect to take the prices in such countries which have been fixed by the Government as an indication of the Swedish Match Company's price policy. Under such conditions the price paid by the public largely

constitutes a tax which the Swedish Match Company is collecting for the Government.

As a matter of fact all agitation against our Company arises from the fact that we consistently refused to over-charge the public for our goods and on account of our large turn-over and efficient manufacturing methods and selling organisation have been able to sell at a price that does not satisfy our competitors' claim for profit.

It may be stated without exaggeration that the possibility for the Swedish Match Company to work under the same conditions as its competitors in different countries constitutes the chief protection for the public against having to pay abnormally high prices for matches and any special legislation with a direct or indirect aim to putting the Swedish Match Company in a disadvantageous position compared to its competitors cannot fail to carry with it as a consequence an increase in the prices the public has to pay.

For everyone who wants to look at the situation in a fair way, it must also be quite clear that a company doing its main business outside its own country is so dependent upon public opinion that it cannot retain its markets except by giving the public a better and more efficient service than the competitors are doing.

The Swedish Match Company feels convinced that the Indian Tariff Commission will recognise that the Company has a fair claim to compete for the Indian match trade on equal terms with other competitors, and that the general policy of the Swedish Match Company is neither aggressive nor monopolistic in its tendency.

It is, however, admitted by all parties that the present situation in the Indian match trade is not sound and calls for legislative measures to be taken by the Government. In deciding what measures should be taken, it seems to us that the main considerations of the Government would be to decide if the local match industry can establish a claim to protection and in such case how large this protection should be.

If, as a condition for protection, it is maintained that the Indian Match Industry should ultimately be able to exist without protection it must be stated that this condition is not fulfilled. The cost of manufacturing matches in India is at present considerably higher than the cost of manufacturing matches in Sweden, including freight from Sweden to India, and it is hardly probable that this difference can be materially reduced.

Furthermore, the wood problem and the question of deterioration of both India and imported wood during storage has not yet been satisfactorily solved.

It may however be argued that an Indian Match Industry has already been established on the basis of existing legislation and that the Indian Match Industry therefore has a right to claim a reasonable protection even in the future. It is for the Indian Government to decide how large an amount of protection ought to be given to the Indian Match Industry, but it seems illogical of the Indian match manufacturers to ask for excessive protection at the same time as they claim that the Indian Match Industry will ultimately be able to compete with imported matches without any protection whatever.

The revenue from imported matches shows continuously decreasing figures for the last few years, and the decrease has been especially marked and heavy during the current year.

Should the present prohibitive tariffs be maintained the consequence will be that all possibility of import and with it a high quality standard will disappear.

No. 6.—APPROXIMATE NUMBER OF WORKMEN REQUIRED FOR SPLINT FACTORY
TURNING OUT SPLINTS SUFFICIENT FOR 50 CASES, SIZE 8, 50 GROSS.

Transport of wood to cross cut saw and barking	5
Cross cut saw	2
Transport of logs to Peeling Department	2
Splint peeling	4
Splint chopping	2
Impregnating	1
Splint drying	3
Labelling	3
Splint packing	4
Case making and lid nailing	4
Waste transport	3
Transport to cases to godown	1
Fitters	3
Power plant	5
	—
	42
Stacking of wood	10
	—
Grand total	52

No. 7.—MR. BIERMAN'S AFFIDAVIT.

I, Mouny Bierman, the General Manager for India, Burma and Ceylon of the Swedish Match Company, make oath and say as follows:—

The statement of Messrs. A. N. and R. N. Futehally that I visited their factory in 1923 and that we discussed possibilities of co-operation to avoid unnecessary competition is correct.

Certain details of such co-operation were reviewed, but the matter did not materialise owing to inability to find a practical solution satisfactory to both parties.

Such co-operation I suggested could be effected by exchanging shares in Messrs. Futehally's factory for shares in the Western India Match Company, Limited, so as to lead to amalgamation or we would pay in cash for the shares we acquired in Messrs. Futehally's factory.

One of the suggestions from my side were indeed that the Management of the factory should remain with Messrs. Futehally. My company should however improve the factory technically, and to ensure that those technical improvements would not be lost to my company, I proposed a 51—49 quota of shares.

In 1925 I also visited Messrs. Futehally's factory, when the matter was discussed again.

Thereafter Messrs. Futehally paid a counter visit to our Ambarnath factory.

I deny that I mentioned that I would arrange to produce second quality matches to force the second class factories to close or amalgamate, by under-selling.

I remember, however, that Messrs. Futehally brought up the question that after amalgamation or participation we would probably find it difficult to hold our position in the market against the factories producing second quality, to which I replied that in such case we could, if necessary, also manufacture second quality matches.

I also deny that during our discussion any threats were made by me or that I even hinted at the possibility of crushing Messrs. Futehally's business.

On the contrary, I have always advocated and pursued the policy of good relationship with other match manufacturers, and have offered Messrs. Futehally Swedish match making machinery after our 1923 discussions.

Sworn at Ewart House, Tamarind Lane, Bombay, this 16th day of December, 1927.

Before me,

(Sd.) PAUL URBAN,

Notary Public,

Bombay.

No. 8.—COMPLAINT REGARDING STOCK OF MATCHES AND THE SITUATION ARISING THEREFROM.

Copy of letter from Swedish Match Company, dated 12th January 1928.

I should be very much obliged if you kindly acquaint the Board with the following situation which has lately arisen with regard to the match trade of this country, and particularly Bombay.

I had occasion to mention some time ago to the President that in our opinion, the possibility of the Tariff Board's investigation leading to an Excise would cause speculation amongst manufacturers and dealers, as well as, to a small extent, the consumer. As far as I can see, this tendency has now actually commenced in two ways, viz.:-

- (1) Certain sections of the public in Bombay as well as up-country are now, in accordance with reports received through dealers and travellers, buying 2 gross of matches where before they bought one.
- (2) All factories are straining their production to the utmost in order to accumulate stocks, and this has gone so far that the following factories, as per reports received, are actually working double shift.

The Andheri Match Factory.

The National Match Factory.

The New Cambay Match Factory.

In other instances like Esavi, Calcutta, and Adamjee Hajee Dawood, Rangoon,—who previously more or less balanced their sales and productions—stocks have been allowed to accumulate to a very great extent, and reports show the following:—

Esavi, 15th December 1927—1/1 size 3,095, 1/2 size 1,600 of 50 gross.

Adamjee Dawood, 15th December 1927—50,000 tins, each containing 8½ gross, intended for Burma sales, 3,500 cases intended for India.

We wish to make it clear that the above information is not submitted by us in the nature of an allegation against our competitors, but entirely because we feel that something must be done in the way of an official statement or otherwise, in order to prevent a very severe disturbance to the Match trade of this country.

The tendency above referred to is, as far as we can find, due to a belief that an alteration in Excise will take place at an early date, either on the 1st March or very soon after. It is obvious that if the party concerned, including the public, are disappointed in this respect, a very severe re-action will occur. First of all, those consumers who have covered double their

requirements will cease to buy for a certain period and as this will coincide with the necessity for the manufacturers to clear at least a part of the stocks they have accumulated in anticipation of an excise, it is evident that the result will be a very heavy drop in prices.

Against this, we have the present situation where the demand for matches seems to be far above normal and cannot be met either by us or by our competitors: in our case due to insufficient production capacity. We have tried to adjust the position by a small increase in prices which was introduced as soon as balance was reached between our production and demand in accordance with our general policy. We fear, however, that this increase will prove inadequate, and it is clear that even without any action from ourselves, the open market rates for our matches may rise in accordance with the economic rule of supply and demand as soon as the general public cannot obtain as much of our matches as they wish. How far this price increase will go it is difficult to say but we are inclined to believe that a considerably higher price level would prevail for the next few months if only a lead was given from our side. We feel, however, that this would be against the match trade in general as well as the consumer and we are anxious to maintain a healthy position as long as possible. If, however, the prices of our matches in the open market rise considerably above our selling rates, we cannot as a commercial firm refrain from raising the latter as we should otherwise simply augment the middleman's profit.

As a matter of fact, we apprehend that unless some official action is taken of one kind or another, we shall not be able to help ourselves and matters will come to a breaking point.

We should appreciate very much to receive the Board's guidance as to how we should deal with a situation that is every day becoming more difficult and complicated.

No. 9.—COPIES OF CORRESPONDENCE REGARDING MATCHES MADE AT AMBARNATH AND CALCUTTA FACTORIES, PRICES AND ANDAMAN WOOD.

Letter from the Swedish Match Company, dated the 5th January 1928.

As per your request to-day. I have pleasure in sending you herewith copies of all the original letters which you examined in our office, as follows:—

Bearing on the question of inferior matches made at Ambarnath.

I.—Letter from Mr. Moller, in charge of Sales Department to Mr. Widen, Chief Factory Manager, dated 4th July, 1927.

II.—Letter from Mr. Moller to Mr. Bierman on tour, dated 6th July, 1927.

III.—Telegram from Mr. Moller to Mr. Bierman, dated 6th July, 1927.

IV.—Telegram from Mr. Bierman to this office, dated 8th July, 1927.

V.—Letter from Mr. Thorstenson in charge of Sales, with Messrs. Forbes, Forbes Campbell, Bombay, to this office, dated 2nd July, 1927.

VI.—Letter from Mr. Thorstenson of Forbes, to this office, dated 22nd July.

VII.—Letter from this Office to Messrs. Forbes' Sales Dept., dated 26th July.

VIII.—Letter from this office to Messrs. Forbes' Sales Dept., dated 15th August.

Bearing on the question of introducing II quality at our Calcutta Factory.

IX.—Letter from this office to our Calcutta factory, dated 23rd January.

X.—Letter from this office to our Calcutta factory, dated 3rd February.

Bearing on our Prices vs. Competitors' Prices.

XI.—Extract of letter from Messrs. Forbes, Calcutta, to us, dated 23rd December 1927.

The Journal of the Bengal National Chamber of Commerce. Article by Mr. Hooseinbhoj Laljee, where we specially refer to page 523 foot, and page 524.

Bearing on the question of Andaman Wood.

I enclose copy of a letter which I intended to show you to-day, but forgot, regarding an experiment carried out at our Calcutta factory with Andaman Wood.

Enclosure No. 1.

4th July 1927.

T. WIDEN, Esq.,

C/o the Western India Match Co., Ltd.,
Calcutta.

Second quality—Ambarnath.

DEAR WIDEN,

By parcel post I am forwarding to-day samples of veneer and splints just received from the factory. You will no doubt agree with me that matches under this quality should not be manufactured. Samples were taken from logs about 8 months old, and I have asked the factory to prepare samples taken from logs which have not been lying at the factory for such a long time. I am going to Ambarnath to-morrow in order to look into the position and will let you know by wire and possibly further samples how matters stand. In any case I am very much against putting matches in the market of the quality as per the samples forwarded to-day.

You may have occasion to discuss the quality question with Bierman, and I am looking forward to receiving your joint opinion and instructions.

Yours sincerely,

Certified true copy.

Enclosure No. 2.

THE SWEDISH MATCH COMPANY,
Bombay, 6th July 1927.

No. 6.

M. BIERMAN, Esq.,

Care, Messrs Forbes, Forbes, Campbell & Co., Ltd.,

Calcutta.

Second quality—Ambarnath.

DEAR BIERMAN,

I wrote to Widen on the 4th instant and forwarded splints and veneer samples of the present quality manufactured at Ambarnath.

Yesterday, I proceeded to Ambarnath to personally satisfy myself that the samples submitted may be considered a fair average of the present timber used, and I am in a position to confirm that this is so.

As mentioned in my telegram, I consider the quality unsaleable at anything above Re. 1, and I very much doubt the advisability of selling matches of such rotten quality at all.

The only reason that would justify a continued production would be if we thereby can minimise an unavoidable loss, but according to my cal-

culations, instead of reducing the loss we are very considerably increasing same.

According to calculations made to-day by Sunden, the present cost of production is:—

<i>1st quality aspen.</i>	<i>Good 2nd quality.</i>	<i>Present 2nd quality.</i>
Rs. 54.67	Rs. 54.40	Rs. 59.74.

Calculating with a selling price of Rs. 1-6-0 for 1st quality and Re. 1 for the present 2nd quality, one month's production of 3,000 cases 2nd quality would result in a loss of Rs. 70,700.

The value of 38,716 cubic feet "Salai" wood, which was available when the present manufacture commenced, is Rs. 34,844.

I have already, for some time, been unpleasantly surprised to see how the demand is gradually being transferred from 1st quality to 2nd quality, or in other words, that our 2nd quality matches obviously are depreciating the market. This has been done to such an extent that we probably in any case shortly will have to reduce the rates of our 1st quality, and I fear that if now 3,000 cases have to be cleared at Re. 1 per gross or less, this general depreciation will have to take place earlier. An additional and very important loss resulting from the present manufacture.

Furthermore our reputation will also have a setback if our name is connected with matches, the quality of which is worse than I have so far seen.

Taking all the above into consideration, I strongly recommend to give up the idea of utilising all timber stocks for matches even if the stocks have to be thrown away. I do not doubt, however, that at least a portion can be used for outer boxes.

At the same time, we require urgently about 500 cases each of wheel and duel, and I recommend that these be manufactured from the "Savar" wood available.

Regarding the two last mentioned labels, kindly let me have your instructions by telegram, as orders have been received which are kept pending.

I may mention that the present rotten quality has almost exclusively been manufactured under the fountain label.

(Sd.)

Enclosure No. 3.

Confirmation of telegram.

From—Mr. A. MOLLEB, Bombay. Despatched, July 6th, 1927.

To—BIERMAN, Care, Forcamp, Calcutta.

Referring to my letter of the 4th, to Mr. T. Widen present estimated cost of production, 2nd quality is Rs. 5 above 1st quality. Quality extremely poor and in my opinion unsaleable above Re. 1. Instructing factory discontinue 2nd quality from July 8th pending your instructions writing.

Enclosure No. 4.

Westmatch, Bombay.

Confirm discontinuing second quality.

BIERMAN,

Room Nos. 21/22,

The Great Eastern Hotel, Calcutta.

The 8th July 1927.

Enclosure No. 5.

Commercial No. 43.

FORBES, FORBES, CAMPBELL & Co., LTD.,
FORBES BUILDING, HOME STREET;
Bombay, 8th July 1927.

MATCHES DEPT.

MESSRS. THE WESTERN INDIA MATCH Co., LD.,
Bombay.

Wimco 2nd quality.

DEAR SIRs,

We beg to refer to previous correspondence under "Sundries" serial.

Instead of an improvement in the quality, which we had expected, we have found the last consignment despatched to Bombay of 250 cases "Duel" label to contain sticks of a quality which we would without hesitation classify as the worst quality of sticks ever put on the market by any factor in the Bombay area.

We realize that you may have experienced difficulties with your wood supply but in our opinion nothing can justify marketing matches of the quality as contained in the boxes attached.

Irreparable damage will be done to the repute and goodwill of your matches, besides, this grade can only be sold with great difficulty in limited quantities at, we would estimate, about 7/8 annas below our regular quality.

Distribution of considerable quantities of matches of this class would mean a general depreciation of the public's idea of quality and would certainly seriously affect sales of the regular quality which has secured the confidence of the public on account of maintenance of uniformity.

Past experience has proved that once shaken the public confidence is very difficult to restore and can only be done with heavy economical sacrifice.

We would therefore request you immediately to discontinue all further manufacture of the quality as per samples attached even if it would mean considerable rejection of wood available at your factory.

Yours faithfully,

For, FORBES, FORBES, CAMPBELL & Co., LTD.

(Sd.)

Assistant.

Enclosure No. 6.

Commercial No. 44.

FORBES, FORBES, CAMPBELL & Co., LTD.,
FORBES BUILDING, HOME STREET;
Bombay, 22nd July 1927.

MATCHES DEPT.

MESSRS. THE WESTERN INDIA MATCH Co., LD.,
Bombay.

Wimco 2nd quality.

DEAR SIRs,

We beg to thank you for your letter No. 43 and note with satisfaction that second quality of the former standard under "Wheel" and "Duel" labels will be manufactured shortly.

With regard to the stock of low grade quality under "Duel", "Wheel" and "Fountain" labels we fully endorse your opinion that sale of the same must be restricted as much as is possible.

After having thoroughly discussed the position with our agent Dawood Ebrahim, in which agency district sales of this quality can exclusively be made, we have decided to confine sales to the Berar and Malwa districts, i.e., Malkapur—Nagpur and Rutlam—Khandwa, Rutlam—Neemuch, Nagda—Kota lines respectively.

Yours faithfully,
FOR, FORBES, FORBES, CAMPBELL & Co., LTD.

(Sd.)

Certified true copy.

Enclosure No. 7.

Commercial No. 49.

26th July 1927.

MESSRS. FORBES, FORBES, CAMPBELL & Co., LD.,
Bombay.

Wimco 2nd quality.

DEAR SIRs,

With reference to your letter No. 44 we have with interest noted that you are confining your sales to the low-grade quality "Duel", "Wheel", and "Fountain" in the Berar and Malwa districts.

Please inform us at what price you expect to effect deliveries.

Yours faithfully,
THE WESTERN INDIA MATCH Co., LTD.,

(Sd.)

Managing Director.

Enclosure No. 8.

Commercial No. 55.

15th August 1927.

MATCHES DEPARTMENT.

MESSRS. FORBES, FORBES, CAMPBELL & Co., LD.,
Bombay.

Inferior 2nd quality stocks.

DEAR SIRs,

We beg to refer to our to-day's conversation over the phone with Mr. Thorstenson and beg to give you herewith particulars of our present stocks of inferior second quality matches.

	Cases.
Duel	16
Wheel	101
Dhow	19
Fountain	450
Total	<u>586</u>

We are prepared to close a bargain for the whole lots for immediate delivery and shall appreciate receiving your best offer.

In view of the inferior quality we recommend to dispose of the goods in isolated markets as far this is possible.

Yours faithfully,

THE WESTERN INDIA MATCH Co., LTD.,

(Sd.)

Certified true copy.

Assistant.

Enclosure No. 9.

General/wood No. 3.

23rd January 1926.

MESSRS. WESTERN INDIA MATCH Co., LD.,

Calcutta.

DEAR SIRs,

We hereby beg to confirm our telegram of to-day's date reading:—

“Please manufacture immediately twenty cases with Genwa splint under label Panpatty report result and send samples. Send report regarding test wood from benett.”

It was decided during Mr. Schele's visit to your factory early in January that you should immediately manufacture 20 cases second quality with Genwa splints in order to find out whether it was possible to get a fairly good quality when working Genwa splints on larger scale.

We have, however, so far not received any report regarding this matter and we consequently presume that this test has not up to now been made.

The matches should be manufactured under a special label and we have advised you to use “Panpatty” for this purpose and to keep the cases well separate from first class quality.

Wood samples from Mr. Bennett.—We have not yet received report on the tests made during Mr. Widen's last visit to Calcutta, although a considerable time has passed since then. We therefore, request you to immediately despatch your report together with samples and we understand that you will now have received from Mr. Benett report regarding the names of different kinds of wood.

We propose that you use as grade numbers from 1 to 10 to show the quality of different kinds of wood, as it certainly is easier to get a fair idea in this way instead of mentioning the wood as “good; fairly good; etc.” No. 1 should in this case represent the excellent quality and No. 10 altogether useless.

Yours faithfully,

(Sd.)

Certified true copy.

Enclosure No. 10.

General/wood No. 7.

3rd February 1926.

MESSRS. WESTERN INDIA MATCH Co., LD.,

Calcutta.

DEAR SIRs,

We hereby beg to inform you that from the 1st of March we will have to run the Calcutta factory on only locally obtained wood which in your case most probably will be only Genwa wood, as you cannot count on with safety to receive any supply of wood from Mr. Bennett.

Consequently, we have to request you to immediately take steps to arrange for sufficient supply of Genwa wood to carry you through during the month of March.

We estimate a quantity of about 35/40 thousand cubic feet being necessary for your requirements.

As we presume it will be very difficult to arrange for a supply of such big quantity we request you to immediately take this matter in hand in finding out the best and safest way to arrange for supply.

From your previous letter it seems as if you have some difficulty with knives in the Peeling Machines. This is however something which we cannot quite understand the reason for and most probably it may be due to some extraordinary circumstances, so long as there is no difficulty experienced in peeling the same kind of wood in our Burma factory on a large scale.

These matches have to be manufactured under the label "Panpatty" but as you have not got sufficient stock of this label you may use F. Specification to follow.

As previously informed we have had great difficulty in arranging for supply of imported aspen and we are now facing such shortage of imported wood so there will be no possibility of running the factory on aspen logs at all during the month of March.

We hope you therefore, realise the importance of altogether cutting the use of aspen for your outside as well as inside boxes, as previously instructed.

Please let us have your confirmation to the effect that you have arranged everything accordingly as per our instructions.

Yours faithfully,

FOR WESTERN INDIA MATCH CO., LD.,

(Sd.)

Chief Factory Manager.

Certified true copy.

Enclosure No. 11.

Extract of letter No. 491, market position from Messrs. Forbes, Forbes, Campbell & Co., Ltd., Calcutta, dated, 23rd December, 1927, Matches Department.

"In view of this we should thank you to reconsider present prices and authorise a reduction. For comparison purposes we give below current rates:—

	Ours		Competitors.	
	Rs.	A. P.	Rs.	A. P.
Full size, 1st quality	1 11 0		1 6 6	
	and		1 9 6	
	1 12 0		1 10 0	
Do., 2nd do.	1 10 0		1 2 0	
			1 8 0	
Half size, 1st quality	1 5 6		1 3 6	
	1 7 0		1 4 0	
Do., 2nd do.	1 3 0		0 15 0	
	f. o. r.		1 3 6	

These are general and subject to discount.

It is now that a reduction is wanted; March or April will be too late as by then, particularly in Eastern and Northern Bengal and Behar, competitors will have obtained a hold unshakeable by a one anna or two annas reduction.

If you are prepared to consider the question please telegraph. Pending your views we will recommend only:—

	Anna.
Full size reduction in 1st quality rates in E. B.	1
Full size reduction in Kemmendine rates in E. B.	2
Full size reduction in 1st quality rates in N. B.	1
Full size reduction in 2nd quality rates in N. B.	2
Full size reduction in 2nd quality rates for Moolchand Sewkissen	2
Half size reduction in 1st quality rates in Behar and Mulchand Sewkissen's district	1

A month having elapsed during which time our increased rates have been in force we can judge that dealers are not prepared to dispose of old stocks and then buy at revised prices, but having disposed of goods obtained at previous rates, are indenting for competitors' goods.

For the United Provinces districts 2 and 3 (supplied *ex* Calcutta) we recommend Behar prices.

These suggestions are merely made as a temporary measure pending Tariff Board decisions.

Certified true copy.

Enclosure No. 12.

THE WESTERN INDIA MATCH CO., LD.,
Calcutta: 17th August 1927.

Technical manufacturing questions No. 59.

MESSRS. THE WESTERN INDIA MATCH CO., LD.,
Bombay.

Papita wood for splint.

DEAR SIRS,

We have now thoroughly tested the papita wood supplied by Messrs. Martin & Co. For several reasons the result has not been as satisfactory as expected.

Most of the logs are very big and heavy with a girth of between 80 and 90 inches and a length of about 20 feet. Usually they are not round but oval and a difference, between the diameters in different directions in the same end, of 6 inches or even more is not unusual.

Many of the logs are badly cracked specially at the root end, and sometimes some 6 or 7 feet of the log is absolutely useless, and falls to pieces when cross-cut. There also seems to be some internal strain in some logs, because the blocks crack almost immediately after they have been cut. Some crack like figure (a) so that the veneers peeled are only short pieces, others in the funny way shown by figure (b) the centre portion of the logs cracked in this latter way is often absolutely separated from the outer portion and can be taken out. Usually these loose cores are too loose for peeling.

More than half of the logs are stripped of their bark, when they arrive to the factory. This is to a certain extent an advantage, as the bark is very heavy and sometimes in a state of dissolution, making the logs

very slippery and difficult to handle. On the other hand we think that the logs will keep better with the bark on, if stored. Besides the bark prevents grit and sand from coming into the wood, when the logs are rolled and dragged on the ground.

The fibres of the wood are very hard, making frequent changes of knives and lancets in the peeling machines necessary. But the cohesion between the fibres is not good and the wood is very porous. Therefore the veneers produced are very brittle and break so easily, that only a portion of the veneers can be put directly on the tables, the rest accumulating as short pieces between the peeling machine and the table and has to be picked up afterwards. The big diameter of the logs giving very high veneer-speed is of course partly responsible for this.

The loose grain that, as a rule, is still looser in the centre portion of the logs also causes another difficulty, the log-holders do not grip very well and it very often happens that they slip, though 5 inch grippers are used in both ends.

Below you will find more details about our experience in the various machines:

The logs are floated in the canal to the factory. We sling big ropes around them and roll them up the canal bank on planks. The logs are absolutely soaked with water and therefore very heavy, and some 20 men or more are required for rolling up the big ones. Usually they are then cut in two by hand saws and rolled across the road into our yard. The transport to the cross cut saw also costs us slightly more than for aspen on account of the high weight.

Cross-cutting.—As pointed out, the fibres of the wood are very hard. Therefore the time required for cutting a papita log is very much longer than for an aspen log of the same size. This fact and the big diameter, that makes it necessary first to cut the log as deep as possible from one side, then turn it round and cut it from the other side, is responsible for, that it takes more than twice as long time to cut a certain number of cubic feet papita than the same volume aspen. Besides the saw has to be changed and sharpened more frequently. For these reasons most of the cross cutting has to be done by hand. We have had 8 men on this job since the logs arrived, and yet been able to use papita only 3 or 4 days. The stock of blocks accumulated during these days we made aspen or Genwa splint were consumed very fast. The hand cross cut saw wears very quickly too and has to be sharpened twice daily.

This job is comparatively particular too. If a block is cut only two inches longer in one side—which frequently happens on account of the big diameter, the length must be adjusted, otherwise it is impossible to get the block into the peeling machine.

Unbarking.—We have found the logs too big to be lifted up in the unbarking machine. Instead we take the bark off by hand. As a matter of fact the thick bark comes off very easily. The logs that arrive here stripped ought to be peeled a little in the unbarking machine to remove grit and mud and save the knives of the peeling machines, but thanks to the heavy weight we have not been able to do this. Instead we clean the blocks with a steel brush in the peeling machine before the actual peeling starts.

Peeling.—Here again the big size and weight are causing great difficulties, as it takes very long time to lift the blocks up in the machines and fix them, before the actual peeling starts. This is specially the case, when the both end-surfaces of the blocks are not parallel, as pointed out under "Cross-cutting."

When the outer portion of a block cracked as on figure (b) gets thin it usually breaks, causing loss of time and wood.

These circumstances, slipping log grippers and the difficulty of handling the very brittle veneers are the reasons for a very low outturn in the peeling machines. In spite of running 3 machines on splint veneers, instead

of 1½ for aspen and 2½ for genwa, and working one hour overtime a day, we have not been able to keep the outturn on the usual level—seed our production reports for the 8th, 9th, 15th and 16th—on the 8th and 9th, in spite of using about 30 cases ready-made aspen splint.

No difficulties have been met with when *chopping, drying, polishing, cleaning, levelling, frame-filling, paraffining, dipping or emptying*, though a very trying dust is produced at the polishing and levelling machines, and the frames get a less good filling than even with genwa.

Box filling.—The splints are very brittle, and we have found it absolutely impossible to avoid quite a number of broken sticks in the boxes even on our best filling machines.

In the samples submitted you will find not only broken sticks but many small loose splint pieces. The sticks do not pack as well as genwa or aspen sticks, and consequently the average contents of the boxes are small. So far the average is only 84 sticks per box, among which 55 broken.

The writer is also of the opinion, that the papita sticks are absolutely inferior to the genwa sticks, not produced under the hot season.

Cost compared with Genwa.—The price of papita delivered in the canal is about Rs. 59 per ton, or 1.18 rupees per cubic feet.

The cost of taking them from the canal into our yard is about ¾ of an anna per cubic feet and the extra cost of cross cutting by hand and transporting to the saw also about ¾ of an anna. The price to be compared with that of genwa then amounts to about 1.27 rupees per cubic feet.

When making papita splints last week we used 6.12 cubic feet per case. That time we did not use any cracked logs and if these are taken into consideration, the figure will be at least 6.5 cubic feet, or 8.25 rupees.

During July we used about 9.3 cubic feet genwa per case. The cost price was 0.896 rupees per cubic feet, and the cost per case Rs. 8.33. During this month, however, the price of genwa was comparatively high which means, that it is cheaper to use genwa than papita under normal conditions even if one does not take into consideration, that the outturn when using papita and our present machinery will drop considerably making the "Overhead expenses" very much higher for papita.

The writer do not recommend to use papita for splint. The outturn of the factory will be much lower than usual, we will have lots of trouble unloading and cross cutting the logs, and the sticks produced are inferior even to genwa sticks. The wood itself compares favourably in price with genwa, only when the latter is exceptionally expensive, but thanks to low production the cases will be more expensive than genwa even then.

If we have to make more second quality than can be manufactured, during the cold season, when good and cheap genwa is available, papita might come into consideration, because no suitable genwa at all is available during the hot months. In this case, however, we must get a cross cut saw and some peeling machines, that are suitable for the big logs and we will also have to build a kind of a "Jetty" for facilitating the work of taking the logs out of the canal. Enclosed please find a blue print for this jetty. We have approached the canal officials for permission to erect same.

Papita for boxes.—We acknowledge receipt of your telegram reading:—

"Please work papita for boxes if possible two or three days and cable your opinion regarding its suitability and consumption compared with genwa",

and are glad to inform you that we are carrying out test. On account of the difficulties when cutting and peeling the logs, already mentioned, we can't run more than a few box machines on papita, but will be able to give you quite reliable figures within a week or so.

Regardless of the outcome of these tests, we do not find it advisable to make any contract whatsoever for papita at present. Our competitors,

who try papita, will encounter the same difficulties as we, and will not buy large quantities for the moment. So there is probably no risk that we will not be able to secure the quantities we need at a reasonable price even without contract.

We still have some 100 tons papita. About ten of this we intend to store just to see how it keeps, and the balance will be used for splint. Probably we will not be able to make more than about 100 cases at a time, because we are not able to peel enough to keep the factory going, and consequently need a big stock of splint every time we start.

In the meantime we will make as many boxes as we can of papita, and let you know the result in a week's time. At present we will only mention that the difficulty even here is the peeling and that the veneers so far are running quite satisfactory in the box-making machines.

For your guidance we send you to-day two boxes each containing 2 dozen boxes.

One is an average sample, the other a sample of papita boxes as well.

Yours faithfully,

THE WESTERN INDIA MATCH Co., LD.

(Sd.)

Calcutta Factory Manager.

No. 10.—STATEMENTS GIVING ACCOUNT OF THE COMPANY'S NEGOTIATIONS WITH, AND CASE AGAINST MESSRS. ADAMJEE HAJEE WAWOOD & Co., LD., AND ALSO THEIR RELATIONS WITH MESSRS. ABDULALLY SHAIK ADAM AND ABDULALLY EBRAHIM.

Letter from the Swedish Match Company, dated 6th January 1928.

As per your request, we have pleasure in enclosing five copies each of the following documents:—

1. An account of our negotiations with Messrs. Adamjee Hajee Dawood & Co., LD., Rangoon, with proposals exchanged at the time.
2. An account of our Trade Mark case against Messrs. Adamjee Hajee Dawood & Co., LD.
3. An account of our relations with Messrs. Abdulally Shaik Adam and Abdulally Ebrahim, of whom the latter is the proprietor of the Bombay Match Works.

Enclosure No. 1.

ADAMJEE HAJEE DAWOOD, RANGOON.

Our first connection with Dawood was on the subject on supplying machinery, and we negotiated regarding 20 box making machines and other plant. Copies of telegrams are attached.

Subsequently we came to discuss general matters regarding match manufacturing and trade in general in Burma.

I came to Burma in the first instance to blow some new life into our imported trade. I saw good possibilities for same and tried to interest local importers.

Finding them very apathetic, I considered opening our own selling office.

To reduce our overhead expenses and improve our position in the market I considered the possibility of interesting ourselves in local manufacturing as well in Burma.

Discussions with Adamjee also more or less drifted the way of combining our interests, instead of competing with each other and taking everything together interesting ourselves in Adamjee's factory seemed a workable plan.

It has, however, never been discussed or offered to Adamjee to buy his whole factory, but only to participate in same, and at Mr. Adamjee's request I formulated the points discussed between ourselves in a letter of February 2nd, 1925, of which I enclose a copy.

During my next visit to Rangoon together with Mr. Littorin, the matter was further discussed.

I attack ours as well as Mr. Adamjee's first proposal, and also a draft of the final counter-proposal, all points of which were agreed upon with the exception of the division of shares, both parties wanting 60 per cent. We ultimately lowered our percentage to 55 per cent, but when this was not accepted negotiations were discontinued.

It is evident from the proposals as per enclosures that the question of taking over Adamjee's shares in the future has never been an actual part of the proposals.

It was desired by Mr. Adamjee that he should be protected for the future and that his share in the joint enterprise would represent to him at least the value it now possessed.

This was naturally difficult to arrange, but one alternative which struck us as giving Mr. Adamjee a certain amount of confidence and protection was to give him the option to sell his shares to us after a certain number of years at a premium, if I remember well, 125 per cent. of the then value was mentioned. This was, however, no obligation on his part.

Meanwhile we had agreed to various clauses in agreement with Mr. Dawood's wishes, and the above-mentioned matter was dropped.

The option was indeed a generous offer from our side, and I am very surprised to see the matter turned round as done in Mr. Bhawaney's evidence.

Enclosure No. 2.

Copy of Confirmation of Cable received in Stockholm, the 25th January 1925, by A.-B. Gerh. Arehns M. V.

There is possibility selling 20 inner box making machines in competition with roller telegraph stock type N. I. and delivery time remainder. We presume price gold dollars 385 for full size telegraph extra per machine for spare parts 3 a size. Telegraph delivery time circular saw with transport also parafining machine.

BIERMAN,
Minto Mansions Hotel.

Enclosure No. 3.

COPY

AKTIEBOLAGET GERH. AREHNS MER VERKSTAD;
Stockholm, 26th January, 1925.

M. BIERMAN, Esq.,
p. t. Minto Mansions Hotel,
Rangoon.

Confirmation of cable despatched from Stockholm, the 26th January.

Only 6 type N. I. inner machine ex stock price c.i.f., 385 gold dollars extra per machine for spare parts 3 A, 87 gold dollars unwilling manufacture more inner box machine N. I. instead we quote 14 inner box machine

3 months price c.i.f. if possible, 507 gold dollars authorise you reduce them to 435 gold dollars minimum if absolutely necessary 3A, 60 gold dollars extra each Maschinenfabrik roller, Berlin price c.i.f. probably 502 gold dollars, our machine much more reliable less sensible quality of paper on account of reversing disc page 250 catalogue, circular saw transporter for do delivery prompt parafining machine, 3 months price c.i.f. 718 machine, parafining machine, 2 meter, longer than German.

Enclosure No. 4.

COPY.

Rangoon, 2nd February 1925.

MESSRS. ADAMJEE HAJEE DAWOOD & Co., LD.,
Rangoon.

DEAR MR. DAWOOD,

I am herewith referring to our preliminary discussions regarding an eventual participation in your factory and as requested by you I am giving a brief outline of a possible arrangement, which you want to put before your Calcutta partner and which I will submit to my Principals to invite their comments:—

1. A private limited company can be floated.
2. Shares are issued to Messrs. Adamjee Hajee Dawood as per the actual value of land, buildings, machinery, stocks, etc., on which parties have to agree.
3. Part of these shares can be sold to my Principals.
4. The proportion of shares will have to be fixed.
5. Both parties will nominate Directors in the Company in proportion to the number of shares held.
6. In case there is a minority holder and a majority holder, the minority holder's Directors can be fixed *ex-officio* in the Articles of Association.
7. We will supply Technical Staff.
8. We can supply machinery and materials.

I shall be glad to hear your further proposals after consultation with your Calcutta partner.

I will thereafter submit same to my Principals, and would kindly request you to have the factory books audited, so that we will arrive at:—

- (a) the book value of land, buildings, machinery, stocks, etc.,
- (b) the result of exploitation during the period the factory has been in operation.

These figures can then be put before my Principals for consideration and the actual value of land, machinery, and stocks can then be fixed, as per sub. 2, mentioned above.

Awaiting your further news, I remain,

Yours sincerely,

Enclosure No. 5.

COPY.

Our First Proposal.

1. Messrs. Adamjee Hajee Dawood floats a private limited company and brings in his match factory on a basis of:—

- (a) land, buildings, machinery, tools, plant, etc.
- (b) stock of materials and partly or fully manufactured matches.

2. Messrs. Adamjee Hajee Dawood agrees to sell to Swedish Match Company 60 per cent. of the total paid up share-capital, consisting of 1a, 1b plus working capital.

3. Messrs. Adamjee Hajee Dawood will nominate two Directors *ex-officio* (to be mentioned in the Articles of Association, if wanted). Swedish Match Company will nominate 3 Directors. Total number of Directors to be 5.

4. Swedish Match Company takes the management of the factory in its hands and supplies technical staff for this purpose with the aim of improving the quality and increasing the present production.

5. The output of the factory will be fixed by mutual agreement between the Directors and will be based on the consumption and market conditions in Burma.

6. All the matches manufactured at the factory should be sold through the Kemmendine Match Company at a selling commission of per cent. on the nett selling prices.

7. The selling prices will be fixed by the Directors with due consideration to prevailing market conditions.

8. It will be incorporated in the Articles of Association of the Company that shareholders are not to sell their holdings unless they have offered same in writing during a fixed period at a mentioned price to the Directors of the Company and such shares will not be sold to third parties at a lower price than offered to the Directors.

9. Parties have to agree to the value as per 1a and 1b.

10. The values as per 1a and 1b should be the present market value for each item.

Enclosure No. 6.

Copy.

Adamjee's first proposal.

1. Mr. Adamjee Hajee Dawood floats a private limited company and shares in the same are issued to him or his nominee in consideration of the sale to the company of—

- (a) the land, buildings, machinery, tools, plant of Adamjee Hajee Dawood's Match Factory;
- (b) the stock of materials and partly or fully manufactured matches;
- (c) goodwill and the benefit of existing trade marks.

The sale price to be fixed on the basis of a valuation to be mutually agreed upon.

2. The total sale price aforesaid to represent 60 per cent. of the first issue of capital of the Company. The remaining 40 per cent. to be subscribed for in cash by the Swedish Match Company.

3. By the Articles of Association Adamjee Hajee Dawood to be Chairman and life Director of the Board and to have the power of nominating two other Directors out of a total Board of 5. The remaining two Directors to be nominated by the Swedish Match Company. The Articles to contain provisions for the appointment of alternate Directors.

4. The Swedish Match Company shall submit names of members of its technical staff for appointment if approved by the Board of Directors as match experts and match machinery engineers.

5. The management of the Company to rest with the Board of Directors and accounts to be kept in English at the registered office of the Company.

6. Messrs. Adamjee Hajee Dawood & Co., Ltd., to be appointed exclusive selling Agents of the Company at a selling commission of 5 per cent. on the selling price and the selling price shall be fixed from time to time by the Board of Directors, but the selling Agents shall have discre-

tion to sell at prices within ten per cent. either below or above the price fixed by the Board, all such sales, however, to be reported to the Board.

7. Any Shareholder wishing to part with any of his shares must first give the Directors one month's option in which to find a Purchaser for the same at a reasonable price. In case of any dispute as to what constitutes a reasonable price the decision of the Company's Auditors to be final.

8. As long as the Company continues to do business neither Adamjee Hajee Dawood nor the Swedish Match Company shall build another match factory in Burma. Neither of the said partners shall have any business dealings or arrangements whatsoever either direct or indirect with any other match making concern in Burma except with the consent of the Board of Directors.

Enclosure No. 6.

COPY.

(Final Draft.)

Agreement between Messrs. Adamjee Hajee Dawood & Co., Ltd., and the Swedish Match Company, Stockholm, regarding participation in Messrs. Adamjee Hajee Dawood & Co., Ltd.'s Match Factory in Rangoon.

1. Messrs. Adamjee Hajee Dawood & Co., Ltd., floats a new private limited Company and shares in the same are issued to him or his nominees in consideration of the sale to the Company—

- (a) the land, buildings, machinery, tools, plant of Adamjee Hajee Dawood's Match Factory;
- (b) the stock of materials and partly or fully manufactured matches;
- (c) goodwill and the benefit of existing trade marks.

The sale price to be fixed on the basis of a valuation to be mutually agreed upon.

The value of 1a will be taken as being 15 lacs of rupees.

No value is attached to sub 1c.

2. The Swedish Match Company buys 55 per cent. of the shares of the Company, which capital will be based on—

- (a) see sub 1a;
- (b) see sub 1b;
- (c) necessary working capital.

3. By the Articles of Association Mr. Adamjee Hajee Dawood to be Chairman and life Director of the Board and to have the power of nominating one other Director out of a total Board of 5. The remaining three Directors to be nominated by the Swedish Match Company.

4. The Swedish Match Company shall submit names of members of its technical staff for appointment if approved by the Board of Directors as match experts, match machinery engineers and manager of the factory.

5. The management of the Company to rest with the Board of Directors and accounts to be kept in English at the registered office of the Company.

6. Messrs. Adamjee Hajee Dawood & Co., Ltd., to be appointed del credere selling Agents of the Company for a provisional term of five years at a selling commission of 5 per cent. on the nett selling price, as far as the production of the Adamjee Hajee Dawood factory does.

In case other factories are acquired by the Company, the selling Agents for such factories will be appointed by the Directors.

Selling price of the matches shall be fixed from time to time by the Board of Directors.

7. Any Shareholder wishing to part with any of his shares must first give the Directors one month's option in which to find a purchaser for the same at a reasonable price. In case of any dispute as to what constitutes a reasonable price the decision of the Company's Auditors to be final.

8. As long as the Company continues to do business neither Messrs. Adamjee Hajee Dawood & Co., Ltd., and/or individual members of that firm, nor the Swedish Match Company and/or subsidiary Companies shall build another match factory in Burma. Neither of the said partners shall have any business dealings or arrangements whatsoever either direct or indirect with any other match making concern in Burma but such arrangements can only be made by the new Company.

Enclosure No. 7.

Copy.

(Submitted by Adamjee.)

Approximate Cost Match Factory.

	Ra.
Machineries from A. Roller, Berlin	6,63,000
Duty, river due, railway freight, and cooly hire	25,000
Machineries from Japan	77,000
Duty, river due, railway freight, and cooly hire	4,000
Shaftings, pulleys and blocks, etc.	16,000
Boilers and chimney	30,000
Workshops, blacksmiths shop, saw benches, feeding pump, etc.	18,000
Fixing labour and mechanical charges, mate- rials, belting, etc., for all the machineries	1,20,000
Electric motor and transformers and electric lights with all accessories	50,000
Railway siding	14,000
Buildings, roads, compounds, tanks, drains, earth-work, etc.	3,80,000
Land about 15 acres at Rs. 8,000 per acre	1,35,000
Artesian well, derricks, and other accessories, etc.	11,000
TOTAL	15,43,000

Certified correct.

Enclosure No. 8.

ADAMJEE HAJEE DAWOOD, RANGOON.

Trade-Mark Case—"3 Stars" vs. "5 Stars"

From a letter produced in Court it was proved that the order for the "5 Stars" labels was placed in Japan, enclosing a "3 Star" label to be allowed for the execution.

On this we won the case, and rightly so as the infringement was obvious.

This infringement was by no means the first one. Adamjee's first infringement was his "White Horse" label, which was drawn up on the nes of our "Elephant & Cock" label, which was at that time our only label and best seller in the Burma market. It was also the *only label with black background* in Burma, and the intention to imitate was obvious as may be seen by comparing the two labels.

I wrote Mr. Dawood a letter to discontinue it, but never received an answer.

This seems to have been the reason why our Rangoon Manager did not think it worth while to write Adamjee regarding "5 Stars", and took immediate steps for an injunction when he knew that evidence of the "5 Stars" manufacturing was available in Adamjee's factory.

I attach a list showing a few more of Adamjee's labels infringing ours and/or designed on the basis of some of our labels—

1. Adamjee's "Cowhead" vs. our "Stag".
2. Adamjee's "Bullockcart" vs. our "Ship" (The frame is an exact copy).
3. Adamjee's "Cock" vs. our "Sakerhets Tandstickor" (Note the words "Parafinerade" and "Printed in Sweden", both intended to mislead).
4. Adamjee's "White Horse" vs. our "Elephant and Cock".
5. Adamjee's "Nine Stars" vs. our "Three Stars".

These are all genuine infringement cases, and Adamjee's contention that our action was only taken because we did not come to an agreement on other points, is untrue.

We admit that our then Rangoon Manager did not handle the matter entirely in the right way, but this was his personal fault, and contrary to our instructions. He was dismissed for this very reason.

Bombay, 5th January, 1928.

Enclosure No. 9.

Relations with Messrs. Abdulali Ebrahim and Abdulali Shaik Adam.

In 1920-21 our representatives visited India to find out the possibilities of regaining the trade lost during the War.

They found conditions promising, but for the fact that the two largest Bombay dealers who had in the past done a big portion of the trade, were having large interests in Japanese matches, and offering prices for Swedish matches which were considered too low by our representatives, not only against our cost of production, but also against the local price level ruling in the Indian market.

Orders were therefore not placed, and we had to find means to regain our share in the market without the two big dealers in question.

We appointed our chief buyers Messrs. Forbes, Forbes Campbell & Co., Ltd., as our exclusive Agents for the Bombay territory, and sent out our matches to them on consignment basis.

Considering the uncompromising attitude of the two main dealers during our representatives' visit, and after further negotiations through me also failed, we decided not to make further use of their intermedium, but to distribute our matches *via* Forbes through three other dealers.

Meanwhile, the two main dealers, seeing that the trade went past them altered their attitude, and considering our prewar relations with them we decided to lead the sale of our matches again through them, together with the three dealers mentioned above.

Not only the imported Swedish matches but also the locally produced Wimco matches were thereby sold through these five dealers.

In April 1926, we went one step further, and our Agents Messrs. Forbes, Forbes Campbell & Co., Ltd., entrusted the entire consignment sales of Swedish and Wimco matches to the Abdulalis.

Meanwhile, Abdulali Ebrahim, who had also a factory himself, was selling his own locally made matches side by side with our matches.

This combined interest on his side had always formed a point of apprehension on our side, because we feared with reason that having to sell his own matches, he would not take the required interest in the sales of our goods.

Already before entrusting the sale of Wimco matches to him this matter had retarded a rapprochement between us on account of the fact that no satisfactory arrangement could be made.

Proposals from our side had been that we exchanged shares in our local factories, so that we would have mutual manufacturing as well as sales interests.

A later proposal went even somewhat further and was based on a mutual selling-Company as well.

Practical results, however, did not follow. All the same, we entrusted as described above, the sole sales to the Abdulalis in April 1926.

It became, however, apparent during the second half of 1926 that our interests were not properly considered, and our sales of Wimco matches consequently suffered just what we had feared in the past.

In December, matters came to a head when the Abdulalis refused to continue purchases.

Our Agents, Messrs. Forbes, Forbes Campbell & Co., Ltd., gave the dealers time to reconsider the question, but when purchases were not resumed there was no other alternative left than to discontinue the arrangements, and appoint other distributors.

The result was illuminating.

Although the new distributors were comparatively new to the trade compared with the Abdulalis, and had in the initial stages no organisation equal to the latter dealers, our sales of Wimco matches increased satisfactorily after the new distributor was appointed.

This in itself is proof that our Agents' action to discontinue the arrangements with the Abdulalis was fully justified.

Bombay, 5th January, 1928.

No. 11.—STATEMENTS GIVING INFORMATION REGARDING THE FACTORY BUILDINGS AT AMBERNATH, MACHINERY AND HEAD OFFICE EXPENSES.

1. *How much Steel work has been used for your buildings at Ambernath?*
320 tons (see Appendix I).
2. *Who erected the first building at Ambernath?*
1923—Tata Construction Co., Ltd.
3. *Who made the extensions?*
1924—Departmentally.
1925—Tata Construction Co., Ltd.
1926—Departmentally—steel-work Richardson and Cruddas.
1927— " " Mawson Vernon Co., Ltd.

4. What Premium was paid for having the Buildings completed within a certain time?

	Rs.
1923	5,000
1925	18,000
1926	200
1927	300

5. If Premium paid, what was the penalty for not keeping within the stipulated time?

1923—penalty Rs.	1,500 per week.
1925—penalty Rs.	50 per day, Boiler house.
	4 x Rs. 150 per day, Factory Buildings.
1926—penalty Rs.	100 per week.
1927—penalty Rs.	150 per day.

6. What would the approximate cost be of the Ambernath Factory if erected now?

	Cost 1927.				Old cost.		
	Rs.	A.	P.		Rs.	A.	P.
Factory	532,271	14	0	(See Appendix II, IIa, and IIb)	561,858	0	0
Bungalows	102,739	0	0	(See Appendix II, IIa, and IIb)	103,551	5	0
Workmen's Quarters	135,235	6	0	(See Appendix III)	138,235	6	0

For old cost see Appendix IV.

7. Of the Block-value for Buildings, how much comes on Bungalows and how much on Workmen's Quarters?

See Appendix IV.

8. What percentage of the Workmen are living in the Workmen's Quarters.

55 per cent. in the dry weather.
60-65 per cent. during the monsoon.

9. What is the floor area of the Ambernath Factory?

	Sq. ft.
Pucca Buildings	88,650
Sheds	23,200
TOTAL	111,850

10. What is the value of the additional machine required in order to enable us to reach the capacity of 10,000 gross a day without working overtime?

Rs. 163,550. (For specification see Appendix V.)

11. What is the present block-value of our machinery?

For Answer (see Appendix IV).

12. Specify block-value of land, machinery and buildings for each year.

For Answer (see Appendix IV).

13. As you say that 10 per cent. is probably insufficient depreciation on match machinery, specify depreciation you require for the main groups of matches.

We calculate that the following would be a fair depreciation for the different types of machines used in our factories:

	Per cent.
Machines Peeling Department	8
„ Frame-filling „	12
„ Box-making „	12
„ Labelling „	8
„ Box-filling „	12
„ Packing „	10
„ Workshops	7
Other machines including Boilers, Shafting, etc.	10
or taking the values on average	11

14. Would depreciation of 6½ per cent. on the total block-value, including buildings, satisfy your requirements?

In view of this we would need a depreciation of 8 per cent. of our total block-value, to suit our requirements.

15. Give total amount of your Head Office expenses.

Our Head Office expenses for the 10 months of 1927 were Rs. 371,401-2-0. This includes passage to and from Europe and 6 months leave on full pay for our entire European Staff in proportion for the period in question.

For your guidance, our total deliveries for the 10 months were 5,397,200 gross. Our delivery figure for the year just completed is 8,221,200 gross.

COPY.

APPENDIX I.

MESSRS. W. A. CHAMBERS & Co.
Chartered Architects.

No. 3429.

STANDARD BUILDING, FORT,
Bombay, 20th December, 1927.

The WESTERN INDIA MATCH Co., LTD.,

Bombay.

Re: Match Factory, Ambernath.

DEAR SIRS,

With reference to Mr. Widen's interview with Mr. Bell yesterday we estimate the quantity of steel work used in the Factory building including Boiler House and office building near the gate, to be about 320 tons.

Yours faithfully,

(Sd.) W. A. CHAMBERS & CO.,
Architects, etc.

COPY.

APPENDIX II.

MESSRS. W. A. CHAMBERS & Co.

Chartered Architects.

No. 3488.

STANDARD BUILDING, FORT,
Bombay, 2nd December, 1927.The WESTERN INDIA MATCH Co., LTD.,
Bombay.

Re: Ambernath Buildings.

DEAR SIRs,

With reference to Mr. Widen's call at our office yesterday, we beg to inform you that we estimate the cost of the Factory Buildings, Temporary Sheds and Latrines to be about Rs. 5,21,271-14-0 at the present market rates.

Similarly we estimate the cost of the five bungalows on the Hill to cost about Rs. 94,239.

Yours faithfully,

(Sd.) W. A. CHAMBERS & CO.,
Architects, etc.

COPY.

APPENDIX II-A.

MESSRS. W. A. CHAMBERS & Co.

Chartered Architects.

No. 35.

STANDARD BUILDING, FORT,
Bombay, 7th January, 1928.The WESTERN INDIA MATCH Co., LTD.,
Bombay.

Re: Ambernath Buildings.

DEAR SIRs,

In continuation of our letter No. 3488 of the 22nd December last, we estimate the cost of the compound wall to the factory building to be about Rs. 11,000 and the compound wall to the bungalow Rs. 7,000.

We estimate the cost of the two Tennis Courts to be about Rs. 1,500.

Yours faithfully,

(Sd.) W. A. CHAMBERS & CO.,
Architects, etc.

APPENDIX II-B.

Present cost, Factory Buildings, etc.,

	Rs.	A.	P.
As per Appendix II	521,271	14	0
„ „ „ II-A	11,000	0	0
TOTAL	532,271	14	0

Present cost, Bungalows:—

	Rs.	A.	P.
As per Appendix II	94,239	0	0
„ „ „ II-A	7,000	0	0
	1,500	0	0
TOTAL	1,02,739	0	0

COPY.

APPENDIX III.

The WESTERN INDIA MATCH Co., LTD.

Ambernath, 30th December 1927.

Technical Land & Buildings No. 19.

Messrs. The WESTERN INDIA MATCH Co., LTD.,

Bombay.

DEAR SIRs,

Referring to your enquiry regarding the present cost of our Workmen's quarters, we beg to say that it is very difficult to give an exact figure. Anyhow we think that quarters built in 1925 now could be built about 5 per cent. cheaper due to reduced prices of bricks and corrugated sheets. The reductions are:

Bricks Rs. 2 per thousand (Rs. 23 to Rs. 21).

Corrugated sheets: Rs. 8 per cwt. (Rs. 17 to Rs. 13).

The quarters built last year would cost about the same to build to-day. Thus the difference would be only Rs. 3,000 or 2·2 per cent. on the whole cost of the quarters.

Yours faithfully,

The WESTERN INDIA MATCH Co., LTD.,

(Sd.) S. YGBERG,
Ambernath Factory Manager.

APPENDIX IV.

AMBERNATH FACTORY.

Statement showing Block Value of Machinery, Land and Buildings.

Year.	Machinery.	Land.	Buildings
	Rs.	Rs.	Rs.
1924	630 797 13	46,538 7	277 103 12
1925	970,559 11	121,043 14	566,772 0
1926	1,137,686 6	139,621 14	739 457 0
1927	1,396,154 6	139,621 14	*803,644 6

* Rs. 803,644 6. Specification of this amount is as under:—

	Rs.
Factory	561,858 1
Bungalows	103,551 5
Workmen's Quarters	138,235 0
	<hr/>
	803,644 6

APPENDIX V.

Additional machinery required to manufacture 200 cases per day in Ambernath, on average throughout the year without overtime.

	Rs.
1 Splint Dryer	7,000
1 Splint Chopper	2,500
3 Frame-filling machines	12,000
1 Frame emptying machines	1,500
3 Inner box machines	6,900
5 Outer box machines	8,000
3 Labelling machines	3,150
1 Box Dryer	6,000
6 Arehns box-filling machines	42,000
2 Jonkoping box-filling machines	12,000
1 Box painting machine	5,500
Sulphur machinery	10,000
	<hr/>
	1,16,550

*Probably further required to allow for
bad quality of wood.*

	Rs.	
1 Peeling machine	4,200	
1 Frame-filling machine	4,000	
3 Inner box machines	6,900	
3 Outer box machines	4,800	
2 Labelling machines	2,100	22,000
		1,38,550
Reserve Boiler		25,000
	TOTAL	1,63,550

All above amounts include cost of erection.

No. 12.—PERCENTAGE OF WASTE OF WOOD IN THE DIFFERENT STAGES OF THE MANUFACTURE OF MATCHES AT AMBARNATH.

Letter from the Swedish Match Company, dated the 26th January 1923, to A. E. Matthias, Esq., I.C.S., Members of the Tariff Board, 1, Council House Street, Calcutta.

I understand from our Technical Staff that you made your own notes of the tests that were carried out at Ambarnath during your visit there. All the same, I presume that a copy of the report I received on the subject would be useful to you as a check on your own figures. I have gone through the figures, and would like to point out what you probably realise yourself, that it is practically impossible with a commodity like match timber to arrive at an accurate test which can be used as a kind of permanent standard. There are too many variations with this timber, not only with regard to seasons and different times of storage, but also in respect of the structure and shape of each individual log. I think this is also apparent in connection with the tests under review, as the result is unduly unfair to the Indian wood and at the same time particularly unfavourable to Aspen. I have, of course, always emphasised in my evidence before the Board that Aspen is an eminently suitable timber for match making, but in all fairness I must admit that the percentage achieved at Ambarnath during your visit exceeded anything that I have seen during my experience in practical working.

At the same time, the three experiments give a useful indication of the variations that can occur with regard to the yield of different kinds of match wood. The experiment with Shemut further shows that when it comes to old wood, practically anything can happen in the way of wastage.

Enclosure No. 1.

Report regarding investigation in order to find the percentage of waste in different stages of manufacture.

The first investigation carried out was with one Shemut log (*Odina Wodier*), measuring 8 ft. 3 in. in length and 34 in. in girth.

The following data were obtained:—

	Lbs.
Gross weight of the log—300 lbs.	
Waste of cut end pieces	16.0
Waste in block stripping	20.5
Waste in peeling (only outer box veneers were peeled)	135.0
Waste in chopping	8.5
TOTAL	180 or 60 per cent.

The nett weight of chopped veneers was 107 lbs. which together with the weight of the waste leaves a balance of 13 lbs. not accounted for, due to the fact that when cutting the blocks from the logs the saw-dust could not be collected.

Of this 107 lbs., 68 lbs. were sent to box making department.

The issue from the box making machines was 60.5 lbs. of wet boxes and 14.5 lbs. of waste, *i.e.*, total 75 lbs., in which figure is included the paste and paper used, *vis.*, 4.5 and 2 lbs. respectively. The figures show a balance of 0.5 lbs. which cannot be accounted for.

The weight of the boxes after drying was 31 lbs.

In order to test these outer boxes throughout the manufacture, inner boxes of other wood were used and 18 lbs. of the latter were required as well as 1 lb. of labels giving a total of 50 lbs. The weight of the ready boxes after labelling was 37 lbs. and the weight of the waste 14 lbs. Total 51 lbs. leaving a balance of 1 lb. not accounted for (Paste?).

Of above boxes, 1,272 were sent to the box filling department and filled by machines. After having gone through the box filling machines 772 boxes were found to be all right and 500 boxes found to be faulty in one way or another mostly due to breakage of the outer boxes.

Summary.

In the following summary it has been presumed that the whole log has gone through the manufacture and gone in a wet stage throughout in which case the following figures will be reached at:—

	Lbs.	Per cent.
Original weight of log—300 lbs.		
Waste in cross cutting	16	5
Waste in stripping	20.5	7
Waste in peeling	135.0	45
Waste in chopping	8.5	3
Waste in box making	20.5	7
Waste in labelling	24.5	8
Waste in box filling	25.0	8
Waste not accounted for	13.0	4
TOTAL	263	87

which means 13 per cent. of the measured in wood has actually been used.

Consequently the amount needed for a case of 50 gross will be as follows:—

	C. ft.	
For boxes only	10	With a theoretical content of 1'32 c. ft. per case.
For splints	*14'70	With a theoretical content of 1'91 c. ft. per case.
	<hr/>	
	24'70	
	<hr/>	

or for 100 gross 49'40 real cubic feet which corresponds to 39 Indian cubic feet according to Mercer's table.

Enclosure No. 2.

Report regarding investigation in order to find the percentage of waste in different stages of manufacture.

The second investigation carried out was with one Sawar log (*Bombax Malabaricum*), measuring 14 ft. 6 in. in length and 47 in. in girth.

* This figure is uncertain as no test was carried out as far as splints are concerned.

The following data were obtained:—

Gross weight of the log—1,013 lbs.

	Lbs.
Waste of cut end pieces	28'0
Waste in block stripping	266'0
Waste in outer box peeling and chopping	130'0
Waste in inner box peeling and chopping	130'0
Waste in bottom peeling and chopping	59'5
Waste in cutting and trimming blocks for outer box peeling	128'0
	<hr/>
TOTAL	725
	<hr/>

The weight of the chopped veneers was as follows:—

	Lbs.
Outer box veneers	61'5
Inner box veneers	191'0
Bottom veneers	35'5
	<hr/>
TOTAL	288
	<hr/>

Summary.

In the following summary it has been presumed that the whole log has gone through the manufacture and gone in a wet stage throughout. In order to keep the equilibrium between the different kinds of veneers some veneers from other logs had to be used.

The percentages work out as follows:—

	Lbs.	Per cent.
Cross cutting	28.0	3
Block stripping	266.0	26
Cutting and trimming blocks	128.0	13
Outer box peeling and chopping	130.0	13
Inner box peeling and chopping	113.5	11
Bottom peeling and chopping	59.5	6
Waste in box making	28.8	3
Waste in labelling	10.4	1
Waste in box filling	31.3	3
TOTAL WASTE	795.5	79

Cutting and trimming of blocks made an additional waste of 128 lbs. but if this quantity had gone through the peeling machines about 50 per cent. would have been useful veneers.

Consequently the total waste will be reduced to 795.5 or 72 per cent. which means that 28 per cent. of the measured in wood has actually been used.

Consequently the amount needed for a case of 50 gross will be as follows:—

	C. ft.	
For boxes only	4.7	With a theoretical content of 1.32 per case.
For splints	*6.8	With a theoretical content of 1.91 per case.
TOTAL	11.5	

or for 100 gross 23.0 real c. ft. which corresponds to about 18.0 Indian c. ft. according to Mercer's table.

Enclosure No. 3.

Report regarding investigation in order to find the percentage of waste in different stages of manufacture.

The third investigation carried out was with one Aspen log (*Populus Japonica*), measuring 10 ft. 5 in. in length and 14 in. in diameter.

The following data were obtained:

	Lbs.
Gross weight of the log—893 lbs.	
Waste of cut end pieces	8
Waste in stripping	35
Waste in peeling	165
Waste in chopping	28
TOTAL	236

* This figure is uncertain as no test was carried out as far as splints are concerned.

The log in question gave us 667 lbs. of box veneers of which 110 lbs. were sent for box making, labelling, box filling, etc., and the waste worked out as follows:—

	Per cent.
Outer box making	13
Inner box making	20
Labelling	10
Box filling	02

Summary of percentages.

	Per cent.
Waste in cross cutting	10
Waste in stripping	40
Waste in peeling	190
Waste in chopping	30
Waste in outer box making	13
Waste in inner box making	20
Waste in labelling	10
Waste in box filling	02
TOTAL	315

Roughly 32 per cent.

which means 68 per cent. of the measured in wood has actually been used.

Consequently the amount needed for a case of 50 gross will be as follows:—

For boxes only	C. ft. 1·95	With a theoretical content of 1·32 c. ft. per case.
For splints	2·80	With a theoretical content of 1·91 c. ft. per case.
TOTAL	4·75	

or for 100 gross 9·59 c. ft.

Bombay, 9th December 1928.

No. 14.—WORKS COSTS OF THE WESTERN INDIA MATCH COMPANY'S CALCUTTA AND AMBERNATH FACTORIES.

Letter from the Swedish Match Company, dated 7th February 1928.

I have pleasure in enclosing the following statements:—

Calcutta Factory—

Average costs for 1927. Specified costs for November and December each separately.

Ambernath Factory—

Average costs for 1927. Specified costs for November and December each separately.

I send you these statements in advance as I presume that the Calcutta figures will come in useful in connection with your investigations there.

Enclosure No. 1.

THE WESTERN INDIA MATCH CO., LTD., CALCUTTA FACTORY.

FORM II (See Question 75).

Statement showing works cost per gross of Matches.

	1924.	1925.	1926.	1927.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1. Cost of wood for splints and veneers.	0 13 6	0 10 10	0 9 6	0 5 8
2. Cost of paper	0 0 5	0 0 11	0 1 1	0 0 11
3. Cost of chemicals	0 2 10	0 3 1	0 3 7	0 2 9
4. Cost of other raw materials	0 0 4	0 1 2	0 1 2	0 1 0
5. Factory labour	0 4 3	0 5 2	0 5 4	0 3 5
6. Power and fuel	0 1 0	0 0 10	0 0 7	0 0 3
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	0 2 0	0 1 6	0 1 11	0 1 2
8. General services, supervision and local office charges.	0 3 7	0 2 10	0 2 5	0 1 9
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	0 4 1	0 1 2	0 0 10	0 0 10
10. Cost of packing cases	0 1 5	0 2 2	0 2 2	0 2 2
Total	2 1 5	1 13 8	1 12 7	1 3 11
Credit for materials recovered (if any).	0 0 7	0 0 3	...	...
Net Total	2 0 10	1 13 5	1 12 7	1 3 11
Total production of Matches for the year in Gross.	54,850	443,650	947,800	1,217,550

Enclosure No. 2.

THE WESTERN INDIA MATCH CO., LTD., CALCUTTA FACTORY.

FORM I (See Question 75).

Statement showing total expenditure on the production of Matches during the last four years.

	1924.		1925.		1926.		1927.	
	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.
1. Cost of wood for splints and veneers.	46,350	0	3,00,020	2	5,63,591	13	4,32,107	0
2. Cost of paper	1,538	5	25,448	12	60,700	7	71,687	15
3. Cost of chemicals	9,706	4	85,777	12	2,09,898	13	2,07,509	5
4. Cost of other raw materials	1,068	10	33,147	4	71,332	15	74,619	3
5. Factory labour	14,575	8	1,42,141	5	3,17,113	6	2,61,893	1
6. Power and fuel	3,300	3	23,650	6	33,871	6	19,105	9
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	6,926	2	40,525	2	1,14,969	3	89,661	12
8. General services, supervision and local office charges.	12,287	14	78,367	14	1,48,432	1	1,31,555	15
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	13,955	11	33,633	13	48,277	15	60,961	11
10. Cost of packing cases	4,956	13	59,472	8	1,26,817	3	1,65,324	15
Total	1,14,665	1	8,22,184	14	16,95,405	2	15,14,356	6
Total production of Matches for the year in Gross.	54,850		443,650		947,800		1,217,550	

Enclosure No. 3.

THE WESTERN INDIA MATCH CO., LTD., CALCUTTA FACTORY.

FORM II (See Question 75).

Statement showing works cost per gross of Matches.

	November 1927.			December 1927.		
	Rs.	A.	P.	Rs.	A.	P.
1. Cost of wood for splints and veneers	0	6	1	0	5	7
2. Cost of paper	0	1	0	0	0	11
3. Cost of chemicals	0	2	7½	0	2	3½
4. Cost of other raw materials	0	0	11	0	0	11
5. Factory labour	0	3	0	0	2	10½
6. Power and fuel	0	0	2½	0	0	3
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	0	1	2	0	2	1
8. General services, supervision and local office charges	0	1	5	0	2	0
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	0	0	8	0	0	10
10. Cost of packing cases	0	2	4	0	2	3
Total	1	3	5	1	4	0
Total production in Gross	119,850			180,050		

Enclosure No. 4.

THE WESTERN INDIA MATCH CO., LTD., AMBERNATH FACTORY.

FORM II (See Question 75).

Statement showing works cost per gross of Matches.

	1924.	1925.	1926.	1927.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1. Cost of wood for splints and veneers.	0 9 4	0 8 3	0 6 4	0 5 9
2. Cost of paper	0 0 9	0 0 10	0 0 9	0 0 9
3. Cost of chemicals	0 2 9	0 2 6	0 2 3	0 1 11½
4. Cost of other raw materials	0 0 10	0 1 1	0 0 11	0 0 8
5. Factory labour	0 6 8	0 6 4	0 4 9	0 2 6
6. Power and fuel	0 1 3	0 1 4	0 0 5	0 0 4
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	0 1 2	0 1 9	0 0 11	0 1 2
8. General services, supervision and local office charges.	0 3 1	0 2 5	0 1 7	0 1 4
9. Miscellaneous, <i>s.g.</i> , rent, municipal taxes, insurance, etc.	0 0 6	0 0 3	0 0 4	0 0 2½
10. Cost of packing cases	0 2 0	0 2 1	0 1 8	0 1 6½
Total	1 12 4	1 10 10	1 3 11	1 0 3
Credit for materials recovered (if any).	0 0 2	0 0 5	...	...
Net Total	1 12 2	1 10 5	1 3 11	1 0 3
Total production for the year in Gross.	182,296	785,950	1,997,000	2,296,350

Enclosure No. 5.

THE WESTERN INDIA MATCH CO., LD., AMBERNATH FACTORY.

FORM I (See Question 75).

Statement showing total expenditure on the production of Matches during the last four years.

	1924.	1925.	1926.	1927.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.
1. Cost of wood for splints and veneers.	1,05,609 11	4,03,784 13	7,92,988 0	9,29,716 14
2. Cost of paper	8,332 14	40,390 15	91,585 10	1,03,727 5
3. Cost of chemicals	31,165 10	1,25,129 0	2,79,714 0	2,82,805 11
4. Cost of other raw materials	9,350 13	51,081 1	1,19,173 2	97,077 6
5. Factory labour	76,187 7	3,14,819 4	5,92,444 1	3,53,998 13
6. Power and fuel	14,049 7	65,752 0	56,304 12	48,688 2
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	13,490 13	84,499 3	1,19,059 13	1,64,787 0
8. General services, supervision and local office charges.	34,936 0	1,19,676 5	1,47,473 6	1,92,781 9
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	5,978 2	11,790 10	27,970 11	32,207 2
10. Cost of packing cases	23,292 9	1,00,906 0	2,12,137 11	2,23,358 12
Total	3,22,373 6	13,18,129 3	24,88,851 2	23,29,088 10
Total production of Matches for the year in Gross.	182,296	785,950	1,997,000	2,296,350

Enclosure No. 6.

THE WESTERN INDIA MATCH CO., LD., AMBERNATH FACTORY.

FORM II (See Question 75).

Statement showing works cost per gross of Matches.

	November 1927.	December 1927.
	Rs. A. P.	Rs. A. P.
1. Cost of wood for splints and veneers	0 6 7	0 6 6
2. Cost of paper	0 0 8½	0 0 9
3. Cost of chemicals	0 1 9½	0 1 9
4. Cost of other raw materials	0 0 7	0 0 7½
5. Factory labour	0 2 1	9 1 6
6. Power and fuel	0 0 4	0 0 4
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	0 0 9½	0 2 0
8. General services, supervision and local office charges	0 1 1½	0 1 7
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	0 0 2	0 0 2½
10. Cost of packing cases	0 1 6	0 1 6
Total	0 15 8	1 0 9
Total production in gross	239,550	220,600

No. 15.—NOTE ON THE COMPANY'S TOTAL PRODUCTION AND DELIVERIES IN INDIA FOR 1927.

Letter from the Swedish Match Company, dated the 8th February 1928.

I beg to enclose a note on our total Production and Deliveries for 1927, which I think will be of interest to the Board.

Note on the Swedish Match Company's total Production and Deliveries in India for 1927.

The figures are now ready for 1927 and show a total production of 4,201,000 gross and total deliveries of 8,221,200, which are divided as follows:—

Swedish Imported Matches	3,524,500
Products of our Indian Factories	4,696,700
	8,221,200

The reason why deliveries of local matches exceed the production is that heavy stocks, which were accumulated at the Factories at the beginning of 1927, have gone into consumption during the year in question. Our stock position is now normal, and consequently production at our Indian Factories and deliveries of goods made at these Factories will be practically identical in quantities, provided we can maintain our sales. The Import Trade is, however, decreasing very rapidly, and we do not expect that our Factories, even with the increased output caused by higher efficiency of machines and labour, will be able to replace the imported quantities as they disappear. Our deliveries for 1928 will very likely fall below 8,000,000 gross, i.e., 50 per cent. of the estimated consumption, which quantity it is our object to maintain.

Looking to the future it will, for this reason, obviously be necessary to increase our manufacturing at a fairly early date, particularly as we do not expect that the Import Trade will be maintained to a greater extent than 500,000 gross a year.

It has been mentioned during Mr. Schele's examination by the Board that if the Swedish Match Company is allowed a free hand in this country it will gradually secure the entire, or, anyhow, the main part of the manufacturing of matches in India. It will be interesting to know how this could be achieved if the Swedish Match Company do not extend their factories over and above a capacity of 8,000,000 gross a year, less anticipated quantities to be imported from abroad.

It has been said that the Swedish Match Company's better quality and lower prices are bound to lead to the above result, but as far as we can see, the developments will be as follows:—

Say for argument's sake, that in 1929 and 1930 the consumption of the country is being covered as follows:—

	Gross.
Imported from abroad	500,000
Manufactured at the Swedish Match Company's factories in India	7,500,000
Manufactured by other Indian Factories	8,000,000
	16,000,000

the following situation may arise:—

- (1) The demand for our matches exceeds our production.
- (2) The demand for our matches is less than our production.

In the case of alternative (1) we reach balance by increasing our rates. In the case of alternative (2) we reduce our rates, the adjustment in both

instances being made with a view to securing balance. Bringing the other factories into this, the result will be that if their production falls below 8,000,000 gross, the market will come to us for the failing quantities, and as we cannot supply them our prices will be raised as above, which again will cause the other factories to manufacture more, or factories that have been closed, to resume operations. If the other factories produce over and above 8,000,000 gross it means that we cannot dispose of our entire production and our rates will decrease, which will cause the weakest factories to fall out. We think from experience that a relative balance between production and demand will soon be reached in the above manner.

No. 16.—NOTE SHOWING DISADVANTAGES OF SEPARATE SALES ORGANISATION OF MATCHES.

Letter from the Swedish Match Company, dated the 9th February 1928.

I attach herewith a list of the disadvantages attached to the entrusting of the manufacture and the sale of matches to two separate organisations as well as the disadvantages attached to a Monopoly Company in India combining both functions.

DISADVANTAGES OF SEPARATE SALES ORGANISATION.

A. Private Sales Organisation.

1. Separation of Manufacturing and Sales will work to the detriment of the quality.

There will, of course, be an "official" control, which will, however, not work so efficiently and smoothly as the ordinary "commercial" control between buyer and seller in the open market.

2. Government will in such case be ultimately responsible for disputes and shortages in the market.

3. Manufacturers will receive a fixed price for their product from the Sales Organisation and it will be their object to make the largest possible profit out of such price, without having the trouble and annoyances in connection with the sale of their product.

Maintaining a good standard quality will, therefore, not be their main consideration.

4. There is of course the "official" check on their quality, but same contains the seeds for several possibilities and difficulties.

(a) Difficulty to judge the quality of each and every parcel manufactured and difficulty to appoint a competent and neutral committee for the purpose.

(b) Possibility of favouritism in this respect and difficulty of appeal for a wronged manufacturer.

(c) Once factories are licensed and all have their own quota, inferior qualities may have to be accepted so as not to leave a gap in the supplies. On the other hand if qualities unfit for consumption are refused, the market would be upset by the shortage. This possibility can very easily arise during the monsoon.

5. A number of different factories, under different owners and working under different conditions and with different materials will naturally show a large variety of qualities, as is already the case to-day.

This will in the case of separation between manufacturing and selling aggravate the difficulties.

6. For all these different qualities different prices would have to be fixed, as it would not be reasonable to expect the factories manufacturing a better quality to be satisfied with the same price as is being paid for lower qualities. Besides there is the difficulty of fixing uniform prices, even for qualities of about the same standard, in as much as in a country of India's size, working conditions, wages, prices of raw materials (especially wood), etc., will vary very much in different places and during different seasons.

As under Sub-4, it would be extremely difficult to find a competent and neutral committee to fix such prices in fairness, apart even from the possibility of favouritism.

7. With the present number of factories, small and large ones, various factors may cause the inability of individual factories to maintain the quota allotted to them.

As nearly all materials have to be imported, shortages may easily occur and would be difficult to fill.

Fire, strikes, etc., may further handicap a factory or even eliminate it.

It would not be possible to adjust matters at short notice on the basis of independent factories all having their individual quota.

B. Government Sales Organisation.

Besides the disadvantages already mentioned under A. there are the following points:—

1. General disadvantages connected with commercial State enterprises, which are generally known and on which we need not, therefore, further elaborate.

2. The Match Trade, which needs a widely spread retail organisation (as most of the retail sales are made in so small a unit as a box), is particularly unsuited to the official machinery of a States Sales Department.

General disadvantage both of this system as well as one monopoly.

1. Quality of different factories varies too much.

2. Would necessitate closing down of most of the existing factories and erect new on modern lines like Ambernath.

3. Monopoly and fixed prices will put an end to business enterprise.

4. *Industry far too young and most circumstances not stabilised.* Several factories may still be subject to violent fluctuations in either direction.

5. Possibility of favouritism.

No. 17.—COST PRICES FOR THE ASSAM AND THE BURMA MATCH COMPANIES.

Letter from the Swedish Match Company, dated the 9th February 1928.

I have pleasure in enclosing cost prices for the Assam Match Company, Limited, and the Burma Match Company, Limited, in the two forms desired by the Board, and our information regarding cost prices should thereby be complete.

With regard to the Assam Match Company, Limited, I had occasion to mention verbally and unofficially to the Board in Bombay that the figures for timber do obviously not represent the total cost of this important raw material to the Dhubri factory. The position is that the Swedish Match Company supply the Dhubri factory's requirements of timber from their own felling organisation at the rate of Rs. 6-4 only per ton, whilst the cost to the Swedish Match Company at present is not less than Rs. 35-8 per ton delivered at the factory. This arrangement has been made as we found that we

had been too optimistic when floating this Company as to the possibilities of obtaining good match timber in Assam at a reasonable rate, and we felt in a way responsible to the public, who had invested their money on the strength of our good name and experience. At the same time, we were anxious that the first public Company we were floating in India should be a success, and should not by showing heavy losses for the first years scare the general public from investing their money in the Indian match industry. The Dhubri factory can hardly be a paying proposition with the present capacity, but we intend to propose to our shareholders in due course, and as soon as the present uncertainty in the industry has been removed, an extension to 50 cases per day. Although this is not an economic unit, the proximity of this factory to several important markets will, in our opinion, make it a dividend-paying concern provided conditions in the industry are stabilised.

With regard to further questions which remain unanswered, I wish to report as follows:—

(i) *Commission to Messrs. Forbes, Forbes, Campbell & Co.*

The commission is not actually given by Messrs. Forbes, but is deducted from our sales proceeds before they are credited to our account. The average commission in Calcutta is As. 1-6 to which have to be added Messrs. Forbes' own commission and the considerable expenses for our up-country sales organisation on the Calcutta side. All this amounts to As. 4 per gross. Our sales in the Calcutta market are being made through the medium of Canvassers, who tour the up-country continuously supported by a certain number of Inspectors. In certain districts where credit must be granted these Canvassers are supported by districts Agents who collect the outstandings, and pay us in full either against Railway Receipts or after a certain period, which even extends as far as 90 days.

(ii) *Average price at which Company sells to Messrs. Forbes, Forbes, Campbell & Co. and to other agents.*

We do not sell to Messrs. Forbes at a fixed rate. All goods are consigned to them and sold at rates as directed by this office from time to time. The proceeds are credited to our account as and when realised, and expenses are debited, which latter as mentioned above approximate As. 4 per gross. I have separately forwarded a list of Calcutta prices to the President.

(iii) *Share of production sold to Messrs. Forbes, Forbes, Campbell & Co.*

I enclose a separate statement showing our sales for the first 11 months of 1927, as divided between Messrs. Forbes' various branches as well as other Agents.

(iv) *Realised prices in Calcutta.*

Our realised prices in Calcutta are:—

1/1 size—As. 1-6½	} Without deducting Head Office expenses (As. 1-1½).
½ size Ambernath—Rs. 1-5-3	
½ size Dhuri—Re. 1	

(v) *Number of sticks in the various sizes of match-boxes.*

Box contents are as follows:—

1/1 size—88 to 90	} (With other manufacturers box contents for this size vary from anything between 75 and 110).
½ size—60 to 65	

Enclosure No. 1.

THE BURMA MATCH COMPANY, LIMITED, KANAUNG FACTORY.

FORM I (see Question 75).

Statement showing Total Expenditure on the production of Matches during the last three years.

	1925.	1926	1927.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
1. Cost of wood for splints and veneers.	23,230 6 0	69,694 1 0	101,611 3 0
2. Cost of paper	6,456 0 0	15,208 12 0	25,263 2 0
3. Cost of chemicals	17,978 6 0	49,984 0 0	82,151 6 0
4. Cost of other raw materials	3,296 1 0	8,195 7 0	19,534 13 0
5. Factory labour	22,882 13 0	57,021 0 0	80,084 15 0
6. Power and fuel	7,097 0 0	21,102 0 0	21,084 12 0
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	7,231 11 0	16,307 4 0	23,610 5 0
8. General services, supervision and local office charges.	20,190 2 0	59,821 8 0	74,279 8 0
9. Miscellaneous, i.e., rent, municipal taxes, insurance, etc.	2,289 13 0	1,726 0 0	13,693 5 0
10. Cost of packing cases.	6,326 10 0	22,124 5 0	33,763 5 0
Total	1,17,023 14 0	3,21,164 5 0	4,75,076 10 0
Special depreciation on old machinery.	...		33,586 10 0
Net Total	1,17,023 14 0	3,21,164 5 0	5,08,663 4 0
Total production of Matches for the year, in Gross	Gross. 80,391	Gross. 221,750	Gross. 384,617

* In Burma generally contains 75 sticks.

Enclosure No. 2.

THE BURMA MATCH COMPANY, LIMITED, KANAUNG FACTORY.

FORM II (see Question 75).

Statement showing works cost per gross of Matches.

	1925.	1926.	1927.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
1. Cost of wood for splints and veneers.	0 4 7½	0 5 1	0 4 2½
2. Cost of paper	0 1 4	0 1 1	0 1 0½
3. Cost of chemicals	0 3 7	0 3 7½	0 3 5
4. Cost of other raw materials	0 0 8	0 0 7	0 0 9½
5. Factory labour	0 4 6½	0 4 1	0 3 4
6. Power and fuel	0 1 5	0 1 6½	0 0 10
7. Ordinary current repairs and maintenance of buildings, plant and machinery.	0 1 5½	0 1 2	0 1 0
8. General services, supervision and local office charges.	0 4 0	0 4 3½	0 3 1
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc	0 0 5	0 0 1½	0 0 6½
10. Cost of packing cases	0 1 3	0 1 7	0 1 5
Total	1 7 3½	1 7 2	1 3 9
Special depreciation on old machinery.	...	...	0 1 5
Net Total	1 7 3½	1 7 2	1 5 2
	Gross.	Gross.	Gross.
Total production of Matches for the year, in Gross.	80,391	221,750	384,617

Enclosure No. 3.

THE ASSAM MATCH COMPANY, LIMITED, DHUBRI FACTORY.

FORM I (see Question 75).

Statement showing Total Expenditure on the production of Matches during the last two years.

	1926.			1927.		
	Rs.	A.	P.	Rs.	A.	P.
1. Cost of wood for splints and veneers	3,497	11	0	14,701	6	0
2. Cost of paper	811	10	0	12,272	15	0
3. Cost of chemicals	4,104	14	0	38,817	14	0
4. Cost of other raw materials	738	10	0	12,113	9	0
5. Factory labour	10,466	13	0	54,772	13	0
6. Power and fuel	5,653	7	0	6,152	11	0
7. Ordinary current repairs and maintenance of buildings, plant and machinery	895	12	0	13,377	1	0
8. General services, supervision and local office charges	11,015	1	0	49,297	9	0
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	1,267	0	0	7,713	5	0
10. Cost of packing cases	741	0	0	27,310	0	0
Total	39,211	14	0	236,529	3	0
Total production of Matches for the year, in Gross	Gross. 31,900			Gross. 269,100		

Enclosure No. 4.

THE ASSAM MATCH COMPANY, LIMITED, DHUBRI FACTORY.

FORM II (see Question 75).

Statement showing works cost per gross of Matches.

	1926.			1927.		
	Rs.	A.	P.	Rs.	A.	P.
1. Cost of wood for splints and veneers	0	1	9	0	0	11
2. Cost of paper	0	0	5	0	0	9
3. Cost of chemicals	0	2	1	0	2	4
4. Cost of other raw materials	0	0	4½	0	0	9
5. Factory labour	0	5	3	0	3	3
6. Power and fuel	0	2	10	0	0	4
7. Ordinary current repairs and maintenance of buildings, plant and machinery	0	0	5	0	0	9½
8. General services, supervision and local office charges	0	5	6	0	2	11
9. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.	0	0	8	0	0	5½
10. Cost of packing cases	0	0	4½	0	1	7
Total	1	3	8	0	14	1
Credit for materials recovered (if any)	0	1	8	...		
Net Total	1	2	0	0	14	1
Total production of Matches for the year, in Gross	Gross. 31,900			Gross. 269,100		

Enclosure No. 5.

Sales during the period 1st January 1927 to 30th November 1927.

Agents.	Ambarnath Matches, ½ size	Calcutta Matches, ½ size.	Burma Matches, ½ size.	Dhubri Matches, ½ size.	Total in Gross.	No. of Gross sold.
	No. of Gross sold.	No. of Gross sold	No. of Gross sold.	No. of Gross sold.		In percentage of total gross available for sale.
Ferbas, Forbes, Campbell & Co., Ltd., Bombay . . .	1,634,000	23,000	...	...	1,677,010	35.89
Ditto, ditto, Calcutta . . .	635,600	884,900	3,100	241,700	1,765,225	37.78
Ditto ditto, Karachi . . .	64,150	...	...	...	64,150	1.37
Total	2,333,675	927,910	3,100	241,700	3,506,385	75.04
Other Agents, Total	164,300	307,650	320,008	...	791,958	16.95
GRAND TOTAL	2,497,795	1,235,560	323,108	241,700	4,298,343	91.99

No. 18.

Letter from the Swedish Match Company, dated the 9th February 1928.

I received this morning your telegram reading as follows:—

“ Please post by return latest Calcutta costs in form two stop If these not lowest also send lowest costs attained stop Also total quantity each kind wood used and rates stop Also current Calcutta selling prices.”

The Calcutta costs specified both in accordance with your Form I as well as II were forwarded from here on the 7th instant, and I hope that they have safely reached you by now. The costs for November, which I have specified separately, represent our lowest figure attained so far.

I have now further pleasure in enclosing a statement showing the total quantities used by us of Aspen as well as local wood (Genwa) during 1927, also the actual cost of the wood in question. These figures have been supplied by our Technical Department and represent the actual result achieved during the entire period of 12 months. You will find that they differ to a certain extent from the statement submitted during my examination in Bombay as the figures there were more approximate, and besides only referred to a period of 10 months. There is also a difference of a few hundred rupees between the values of this statement compared with those contained in Form No. I, as the latter emanate from the Book-keeping Department where certain small adjustments have been made in connection with our book closing.

I also enclose a statement of our current selling prices in Calcutta.

Enclosure No. 1.

Report regarding wood consumption at the Calcutta Factory.

During the year have been manufactured 24,351 cases of which 15,441 cases have been manufactured with boxes made of Indian wood and match sticks made of imported Aspen wood and 8,910 cases have been manufactured entirely of Indian wood. The total amount of Indian wood consumed is 339,754 c. ft. for which have been paid Rs. 2,19,071.

The total consumption of imported Aspen wood for match sticks is 86,314 c. ft. for which have been paid Rs. 2,12,230.

The figures requested for work out as follows:—

	Rs.	c. ft.
Average price of Indian wood	0.645	
Average price of imported Aspen wood	2.459	
Average consumption of Aspen wood for match sticks per case		5.59
Average cost of Aspen wood for match sticks per case	13.745	
Average consumption of Indian wood per case, 1st quality (i.e., match boxes made of Indian wood and match sticks made of imported Aspen wood)		10.215
Average cost of Indian wood for 1st quality per case	6.587	
Average consumption of wood for 2nd quality (i.e., match boxes as well as match sticks made of Indian wood) per case		20.430
Average cost of wood for 2nd quality per case	13.174	

Consequently the cost price of the wood in a case of 1st quality is Rs. 20.332 and the cost price per case of 2nd quality is Rs. 13.174.

Enclosure No. 2.

Wimco full-size prices—Calcutta Territory—Ex-Godown Calcutta.

	CALCUTTA.		N. B.	E. B.	Assam.	Bihar.	B. N. E. Line.	Orissa.	Cuttaek District.	U. P. and C. P.
	City.	Mofussil.								
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
FIRST QUALITY.										
<i>All labels</i> . . . . .	...	1 12 0	1 10 0	1 10 0	1 12 0	1 12 0	1 11 0	1 11 0	1 12 0	1 12 0
except										
"Wimco Yellow" . . . . .	...	1 11 6	1 9 6	1 9 6	1 11 6	1 11 6	1 10 6	...	1 11 6	1 11 6
"Namaz" (25 C/s balance)	1 12 0	1 11 0	1 10 0	1 10 0	1 11 0	1 11 0	1 9 0	...	1 11 0	1 11 0
MEDIUM QUALITY.										
<i>All labels</i> . . . . .	...	1 11 6	1 9 6	1 9 6	1 11 6	1 11 6	1 10 6	1 10 6	1 11 6	1 11 6
except										
"Sea-fisher" . . . . .	...	...	...	1 8 0 (Chittagong only).	...	...	...	...	...	...
SECOND QUALITY.										
<i>All labels</i>	1 12 0	1 12 0	1 10 0	...	...	1 11 0	1 10 0	...	1 11 0	1 11 0

Enclosure No. 8.

Wimco half-size prices—Ex-Godown Calcutta.

Labels.	Bengal-Nagpur Railway Line.	U. P.	Bihar.	Cuttack District.	E. B.	N. B.	Assam.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Cheeta-fight	1 6 0	1 6 6	1 6 6	1 6 6	...	...	...
Baijse	1 5 6	1 6 0	1 6 0	1 6 0	...	...	...
Horsehead Red	1 5 0	1 5 6	1 5 6	1 5 6	1 6 0	1 9 0*	1 9 0*
Tekka	1 5 0	1 5 6	1 5 6	1 5 6	...	1 8 0*	1 8 0*
3 Mangoes	1 5 6	...	1 6 0	1 6 0	1 5 6	...	...
Deer and Tiger	1 5 0	1 5 6	1 5 6	1 5 6	...	...	...

*f.o.r. destination.

Assam Match Co.'s prices, half size.

Labels.	Assam.	N. B.	Bihar.	U. P.	Cuttack.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
All labels	1 3 0	1 3 0	1 2 0*	1 2 0*	1 4 0

All prices are f.o.r. destination except those marked *f.o.r. Dhubri.

Enclosure No. 4.

Swedish Matches—Calcutta Territory—Ex-Godown Calcutta

Safeties, full size	Safeties, $\frac{1}{2}$ size.	Safeties, $\frac{1}{4}$ size.	Sulphurs, full size.
Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
2 14 0	2 11 0	2 4 0	...
2 13 6	2 10 0	2 3 0	2 12 0
2 8 0	2 6 6	2 0 0	...

The lowest prices under Safeties have been fixed with a view to clear unpopular stocks.

No. 19.

Letter from the Swedish Match Company, dated the 9th February 1928.

I enclose our local Stock Position as per January 1st, which I hope will be of some use to the Board.

Enclosure.

*Local Stocks as at 1st January 1928.*Wimco $\frac{1}{2}$ size—

	Cases.
Ambernath	866
Bombay	144
Calcutta	846
Karachi	301
Madras	251
Rangoon	38

Transit—

Ambernath/Bombay	125
Bombay/Calcutta	749
Bombay/Karachi . . . . .	...
Bombay/Madras . . . . .	...
Bombay/Rangoon . . . . .	...
	3,320

Wimco 1/1 size—

Calcutta	1,233
Madras	545
Rangoon . . . . .	...

Transit—

Calcutta/Madras	102
Calcutta/Rangoon . . . . .	...
	1,880

Amco $\frac{1}{2}$ size—	
Dhubri	717
Burma $\frac{1}{1}$ size—	
Kanaung Factory	1,113
Rangoon	802
	1,915
Grand Total	7,832

No. 21.

Arrangements made for distribution of matches in the Bombay selling territory from August 1922 up to the present date.

Before the war and up till 1922 the whole of the match business was conducted on indent basis and Messrs. Abdulally Sheik Adam of Nagdevi Street, Bombay, was the chief indenter. In 1922 Messrs. Trummer & Co., Successors, Ltd., London commenced consigning Swedish Matches to Bombay and sales were then confined to three dealers. In June 1923 this number was increased to five, which continued up to April 1926 when an arrangement was made by which consignment stocks of imported matches as well as Wimco matches were exclusively sold to Messrs. Abdulally Sheik Adam and Abdulally Ebrahim.

In January 1927, we commenced dealing with up-country distributors in important centres direct and our selling organisation consists at present of distributors in important centres, to each of whom a certain district is allotted. The chief districts where local distributors have been appointed are:—

Bhavnagar.	Poona.
Patan.	Goa.
Ahmedabad.	Malabar.
Baroda.	Delhi, and
Surat.	Cutch-Mandvi.
Bombay city.	

Sales to the remaining territory are made through the intermediary of one agent in Bombay (Mr. Dawood Ebrahim Parekh of Nagdevi Street, his territory marked light brown on the enclosed map).

All agents pay cash to us on delivery. Most of them sell on commission basis and in some instances a cash discount is allowed. The agents sell to their customers in the respective districts on cash or credit; prices and terms are specified below. All the prices quoted below are ex-godown Bombay or f.o.r. Ambernath unless otherwise stated. Cases are units of 50 gross.

Bhavnagar Districts:—

Estimated consumption	300 cases per month.
Our average sales	200 cases per month.
Price	Rs. 1-6 per gross.
Cash discount	1 per cent.
Commission	1 anna.

General Information.—Sales in this territory are handled by 3 dealers who have formed a selling association. Each dealer however purchases his requirements individually. Sales are generally made on credit, a small percentage however on cash basis. In addition to the territory as outlined on the enclosed map, the Bhavnagar dealers are entitled to make sales in Western Kathiawar, which market is also supplied by Mr. Dawood Ebrahim, Bombay.

Patan Districts:—

Estimated consumption	. About 150 cases per month.
Our average sales	. About 38 cases per month.
Price	. Rs. 1-5 per gross.
Cash discount	. 1 per cent.
Commission	. $\frac{1}{2}$ anna per gross.

General Information.—The majority of sales are made on credit up to one month.

Ahmedabad Districts:—

Estimated consumption	. 400 cases per month.
Our average sales	. 175 cases per month.
Price	. Rs. 1-6 f.o.r. Ahmedabad.
Cash discount	. 1 per cent.
Commission	. 1 anna per gross.

General Information.—The distributor in this district is a firm which consists of four partners who have different shops in the Ahmedabad City. All purchases are made by these four dealers jointly. A large portion of the consumption in this district is covered by Swedish Matches which are imported via the Kathiawar Ports.

Baroda Districts:—

Estimated consumption	. 200 cases per month.
Our average sales	. 110 cases per month.
Price	. Rs. 1-6 per gross with the following concession for quantities:— $\frac{1}{2}$ anna per gross to buyers of 10 cases lots. $\frac{1}{2}$ anna per gross to buyers of 25 cases lots.
Cash discount	. 1 per cent.
Commission	. $\frac{1}{2}$ anna.

Surat Districts:—

Estimated consumption	. 400 cases per month.
Our average sales	. 350 cases per month.
Price	. Rs. 1-6 with the following concessions for quantities:— $\frac{1}{2}$ anna per gross to buyers of 10 cases lots. $\frac{1}{2}$ anna per gross to buyers of 25 cases lots.
Cash discount	. 1 per cent.
Commission	. $\frac{1}{2}$ anna per gross.

Bombay City and Suburbs:—

Estimated consumption	. 1,000 cases per month.
Our average sales	. 675 cases per month.
Cash discount	. Nil.
Commission	. 1 anna per gross.

Swedish Matches.—In the Bombay Bazaar fair quantities of Swedish matches, particularly $\frac{1}{2}$ size are being sold, the imported matches being popular amongst the educated classes. As regards prices, please refer to the list attached. On Swedish Matches a commission of $1\frac{1}{2}$ annas per gross is allowed.

General Information.—An association has been formed comprising seven large retail dealers in Null Bazaar and Crawford Market. This association

makes all the purchases and each member is granted profit in accordance with sales made. The association has appointed two members as joint Secretaries. The association also keeps a godown and a clerk so as to be to effect quick deliveries. This arrangement has been made particularly in view of imported matches, the release of which from bond takes about 4 to 5 days and it is essential to keep a certain duty paid stock. The association also runs a motor lorry in the City and suburbs for direct distribution to small retailers and *panwahas*.

Poona District:—

Estimated consumption	. 250 cases per month.
Our average sales	. 156 cases per month.
Price	. . . . . Rs. 1-5 to Rs. 1-6-6.
Cash discount	. . . . . 1 per cent.
Commission	. . . . . $\frac{1}{2}$ anna per gross.

General Information.—Three dealers are appointed as distributors in this district. All purchases are being made separately and the above terms apply to each of them individually. Sales are made on cash and credit as a rule not exceeding 14 days.

Goa District:—

Estimated consumption	. 140 cases per month.
Our average sales	. 140 cases per month.
Price	. . . . . 12 annas per gross <i>ex-godown</i> Bombay.
Cash discount	. . . . . Nil.
Commission	. . . . . Nil.

General Information.—The whole of the trade to Portuguese Goa is catered for by Swedish matches, the "Three Stars" brand being the outstanding label. Half size only is current. The local distributor has free hands as to retail prices but submits regular reports so as to enable us to see that exorbitant prices are not charged. His average profit amounts to 2 annas per gross, out of which he has to keep godown and cover his interest, etc. Sales are made on credit varying from a fortnight to about one month.

Malabar District:—

Estimated consumption	. 400 cases supplied from Bombay only $\frac{1}{2}$ size. 250 cases of full size supplied from Calcutta and Madras.
Our average sales	. 470 cases both $\frac{1}{2}$ and full size. Swedish full size is principally supplied from Madras.
Wimco prices	. . . . . $\frac{1}{2}$ size Rs. 1-6-0 per gross. Full size from Calcutta Rs. 1-13-0 c.i.f. Malabar Coast.
Cash discount	. . . . . Nil.
Commission	. . . . . $1\frac{1}{2}$ annas per gross.

General Information.—This Agent has offices in Bombay, Cochin, Calicut and Coimbatore. All sales are made on long credit as much as 4 months.

Delhi District:—

Estimated consumption	. 600 cases per month.
Our average sales	. 350 cases per month.
Price	. . . . . Rs. 1-5 to Rs. 1-6-6.
Cash discount	. . . . . 1 per cent.
Commission	. . . . . $\frac{1}{2}$ anna per gross.

General Information.—The work in the Delhi District is supervised by our own office in Delhi. The territory marked brown on the map are supplied by three large dealers in Delhi, who although buying separately have established between themselves a working arrangement. The distributor on the Rewari-

Sirsa line and the distributor on the Rajpura-Ludhiana line purchase through our local office; imported matches particularly Nitedals have retained their currency to an appreciable extent in this district. Sales are generally made on 14 days to one month's credit.

Cutch-Mandvi:—

Estimated consumption	. 200 cases per month.
Our average sales	. 200 cases per month.
Price	. 1s. 3d. c.i.f. Bombay.
Cash discount	. Nil.
Commission	. Nil.

General Information.—Only Swedish matches are being supplied to this district, the most popular labels being "Flower Basket" and "Tiger". Half size only is current. The distributor has free hands as to retail prices but through regular reports we are controlling his rates.

Remainder of Districts.—The whole remainder of the Bombay selling territory is controlled by Dawood Ebrahim Parekh, who has got his office and shop in Bombay.

Estimated consumption	. About 4,000 cases per month.
Our average sales	. About 2,100 cases per month.
Cash discount	. Nil.
Commission	. 1½ annas per gross.

General Information.—Business in this territory is generally done by local brokers who buy matches along with other commodities on behalf of their up-country constituents. 80 per cent. of the business is generally done on credit basis, 20 per cent. on cash, either by remittance through bank or V. P. P. The territory is supervised by three travellers.

Enclosure No. 1.

Wimco prices in Bombay territory during 1924-26.

		FIRST QUALITY.		
		Rs. A. P.	Rs. A. P.	Agents.
1924	September	1 0	to 2 4 0	}
	October		ditto	
	November		ditto	
	December		ditto	
1925	January		ditto	} Abdulally Shaikadam.
	February		ditto	
	March	1 15 0	to 2 0 0	} „ Ebrahim
	April	1 13 0	to 1 15 0	
	May	1 14 0	to 1 15 6	} Valli Suleman & Co.
	June-December	1 14 0	...	
1926	January	1 14 0	...	} Ahmed Abdulla.
	February	1 14 0	...	
	March	1 12 6	...	
	April	1 12 3	to 1 12 6	} Abdulally Shaikadam.
	May		ditto	
	June		ditto	
	July	1 10 0	to 1 10 6	
	August	1 9 0	to 1 10 0	
	September	1 8 6	...	
	October	1 8 0	...	
	November	1 8 0	...	} „ Ebrahim.

Enclosure No. 2.

Price List.

	‡		‡		1/1
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A.
<i>Swedish safeties.</i>					
Special Lion	2 6 0 to	2 6 6	2 14 0 to	2 15 0	...
Flower Basket	2 5 0 „	2 5 6	2 11 0	...	...
Ship . . . . .	...	...	2 8 6 to	2 11 0	...
3 Stars	2 4 6 to	2 5 9	2 7 6 „	2 9 0	...
Golden Jubilee . . . . .	...	...	2 8 6	...	...
Chess . . . . .	...	...	2 11 0	...	...
Farmhouse	2 4 6	...	...	2 8 6	...
Orange Boven	2 4 0	...	...	2 9 0	...
Jungle . . . . .	...	...	2 9 0	...	...
Ring . . . . .	...	...	2 8 6	...	...
Times . . . . .	...	...	2 8 6	...	...
3 Birds	2 4 6 to	2 5 0	2 11 0	...	...
Trotting	2 4 0	...	2 8 6	...	...
Locomotive	2 5 0	...	2 8 6	...	...
Tiger	2 4 6 to	2 5 0	2 10 6 to	2 11 0	...
Lombok	2 4 0	...	2 8 6	...	...
Palm Tree	2 3 0 to	2 4 0	2 11 0	...	...
Bowing	2 4 0	...	...	...	...
<i>Swedish sulphurs.</i>					
Antelope Red	2 5 0	...	...	...	2 15
Goat „	2 5 6	...	2 11 6	...	2 13
3 Stars „ . . . . .	...	...	...	...	2 13
Stag „ . . . . .	...	...	2 7 0	...	...
Horse and Crater Red . . . . .	...	...	2 7 6	...	...
Antelope Black	2 6 6	...	...	...	2 15
Goat „	2 2 0	...	...	...	2 11
3 Stars „	2 2 0	...	...	...	...
Great Mogul Black . . . . .	...	...	...	...	2 10
Nizam „	2 2 0	...	...	...	2 1
Indian Baja „ . . . . .	...	...	...	...	2 10 0
Powla „ . . . . .	...	...	...	...	2 10 0

—	‡		‡		1-1
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
<i>Swedish sulphurs—contd.</i>					
5 Medals Black	2 12 0
4 Medals „	2 12 0
Stag „	2 11 6
Horse and Crater Black	2 10 0
Globe	2 8 0
<i>Norwegian sulphurs.</i>					
Nitedals	2 13 0

Enclosure No. 3.

Wimco Prices Ruling in Bombay Territory during 1927.

FIRST QUALITY.

1927.	Dawood.		Ahmedabad.		Delhi.		Surat.		Baroda.		Bhav-nagar.	Bombay City.			Malabar.	Poona.		
	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	
January . .	1 4 6	-1 8 0	1 4 6	-1 5 6	1 5 6	-1 6 0	1 5 0	-1 6 0	1 5 0	-1 6 0	1 6 0	1 6 0	1 6 0	1 6 0	1 5 0	-1 6 6		
February . .	1 5 6	-1 7 6	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
March . . .	1 5 0	-1 6 0	1 5 6	...	...	...	...	...	...	...	...	...	...	...	...	...	...
April . . .	1 4 0	-1 6 0	...	...	...	...	...	...	...	...	...	...	...	...	1 4 0	-1 6 6	...
May . . . .	...	...	...	1 4 6	-1 6 0	...	...	1 6 0	...	1 4 6	-1 6 0	...	...	...	...	...	...
June . . . .	...	...	...	...	...	1 4 6	-1 6 0	...	...	...	...	...	...	...	...	...	...
July . . . .	...	...	...	...	...	...	...	...	...	...	...	1 4 0	-1 5 6	...	...	...	...
August . . .	...	...	...	1 4 6	-1 5 6	...	...	...	...	...	...	...	...	...	1 4 0	-1 5 6	...
September .	...	...	1 5 0	...	...	1 5 0	-1 6 0	1 5 6	-1 6 0	...	...	...	...	...	...	...	...
October . . .	...	...	...	...	...	...	...	1 5 0	-1 6 0	...	...	...	...	...	...	...	...
November . .	1 5 0	-1 6 0	1 6 0	1 5 0	-1 6 6	...	...	...	...	...	...	1 5 0	-1 6 0	...	1 5 0	-1 6 6	...
December . .	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...

SECOND QUALITY.

This quality was introduced in February 1927, splints were made of Indian wood. The rate was then Rs. 1-2-0 but was reduced in April for certain markets in the Berar district to Rs. 1-1-6. This quality is not manufactured at present.

Very inferior quality (III Quality).

In the rainy season 1927, part of the stock of Indian wood at Ambernath Factory deteriorated to a great extent and the quality produced had to be marketed at 12 annas to Re. 1. Total sales of this grade aggregate 690 cases.

Letter from the Swedish Match Company, dated the 20th February 1928.

I noticed in the verbatim report of Mr. Mehta's evidence in Calcutta that he complained regarding a certain advertisement which has been put into effect by my Company at a Circus in Calcutta. I have written to my people in Calcutta in order to find out the exact circumstances, and beg to enclose five copies of a statement made by Mr. A. Moller, who was in charge of the Match Department of Messrs. Forbes, Forbes, Campbell and Company at the time, as well as a letter in original with five copies from the Publicity Studio which suggested and organized the advertisement in question. Both these statements can be submitted as affidavits, should the Board so desire.

Foreigners' Tax in Sweden.—Although I presume it is of minor importance, I would like to contradict Mr. Mehta's statement to the effect that we are levying a tax on foreigners in Sweden amounting to 10 per cent. It is not quite clear from Mr. Mehta's statement whether this 10 per cent. is supposed to be assessed on the foreigner's cash in hand, value of clothes or luggage, or is based on an estimate of the visitor's prosperity. I have never heard of a foreigner's tax, but in order to make sure I approached the Swedish Consul General in Calcutta for information, and beg to enclose his reply in original and five copies. From this it is clear that unless Mr. Mehta went to Sweden as a commercial traveller or a member of the entertainment profession, both of which possibilities I presume are out of the question, he was not asked to pay any tax, and his statement before the Board to that effect is, consequently, not correct. I would like to explain that by commercial traveller, under the arrangement in question, is meant a person who travels with samples and exhibits same to the public for the purpose of securing orders.

Enclosure No. 1.

Copy.

According to verbatim report of Mr. P. M. N. Mehta's evidence before the Tariff Board on the 7th instant, Mr. Mehta has given the following version of a certain advertisement at a Circus at Central Avenue, which was arranged by me with the Publicity Studio, who held the contract for all advertising at the Circus in question:—

"Two years ago there was a Circus in the Central Avenue. There was a clown who asked for a match. An Indian match was given to him. He lit it and threw it away and said: 'Oh, it has burnt my finger. Bring me a Swedish match. This Indian match is no good.' I was in the box and offered him my match and said: 'Try this.' He wouldn't do it. The Swedish Match Company paid the clown. It was two years ago that this happened. This is how they carry on propaganda against Indian matches."

Mr. Mehta proceeds by confirming his contention to be that we were trying to spoil the reputation of Indian matches while at the same time trying to popularise our own matches.

When concluding the evidence in connection with this particular incident the President of the Tariff Board said:—

"We shall look into this matter and if we find that they are trying to mislead the public we shall have to ask for an explanation, but if they do this only to push their matches against yours, one does not see that there is anything wrong in it."

To avoid any misunderstanding regarding our object and intentions with the advertising, I beg to state as follows, and am prepared to take the under-mentioned statement on oath:

In the month of December 1926 when I was in charge of the Match Department of Messrs. Forbes, Forbes, Campbell & Co., Ltd., I was approached by

Mr. A. Bose, Proprietor of the Publicity Studio, with a suggestion to advertise our matches at Shellar's Royal Circus, for which they hold the advertising contract. All details in connection with the performance were verbally discussed and settled by me. During our discussions the question arose with what matches our Swedish goods should be compared in the course of the performance, and my instructions on this point were clear and very definite. The object of the advertising was to impress upon the public the recognised superior quality of matches manufactured in Sweden. With the exception of the Swedish match that was to be advertised no mention should be made which could lead the public to believe that we were referring to any special make or country in regard to the matches that in the course of the performance were used to illustrate certain defects from which goods manufactured in Sweden are free.

During the first week of the performance I visited the Circus once, and satisfied myself that my instructions were followed.

There has been no intention to deceive the public or to try to spoil the reputation of Indian matches.

(Sd.) A. MOLLER.

16th February 1928.

Enclosure No. 2.

The Publicity Studio.

12-1-B, GOABAGAN STREET,
CALCUTTA;

Dated the 16th February 1928.

While Royal Circus was performing here during winter season, 1926-27, I took the advertisement contract of the Circus pavilion including rights of advertising by animals, clowns or ring-masters.

The idea of advertising Swedish matches by clowns was suggested by me and accepted by Mr. A. Moller, the then Assistant, Matches Department, Messrs. Forbes, Forbes, Campbell & Co., Ltd.

I introduced the advertisement in the following manner:—

A clown entering the arena asks the ring-master for a cigarette. When he is provided with one, he wants a match box; on getting a match box, the clown tries to light up his cigarette without success; he affects and shows that the sticks either do not ignite or break; being disgusted, he throws away a few sticks here and there and then the whole box and exclaims, "Oh it is a trash match—the sticks won't ignite, give me another box." Another box is given to him and the clown in attempting to light up his cigarette with this box, takes two or three sticks at a time and cleverly manages to strike them. This produces a sudden flash, and when he throws off the glowing sticks as also the box and shouts out, "Oh my fingers are badly burnt—why give me these rubbish matches?—give me a really good match." Just at this moment another clown appears and says, "Why not always use Swedish matches?—they are absolutely safe." After this, the second clown distributes a few matches to the higher class seats and then they all disappear.

The above plot was entirely got up by me and I personally tutored the clowns in respect of demonstrating advertisement and strictly forbade them to make any reference whatsoever with regard to Indian or Japanese make, the whole impression of the advertisement being that the Swedish matches are really safe and that they are decidedly better than other matches. Mr. Moller also instructed me to see that no reference should be made to matches of any particular make.

I again took the advertisement contract of the same Circus last season, 1927-28, when I arranged the display of advertisements of Lyons' tea through

the agency of a pony, a clown and ring-master. The pony was asked if he knew what is the best drink, when the pony would go round the ring and of all other handkerchiefs lying about, bring the one bearing the words "Lyons' Tea" in bold types. The clown would then exclaim, "I see Lyons' is the best tea in the market, other teas are no good."

(Sd.) A. K. BOSE,
Proprietor.

Enclosure No. 3.

Copy.

21, BURDWAN ROAD, ALIPORE,

CALCUTTA;

16th February 1928.

SUNE SCHELE, Esq.,

General Manager for India, Burma and Ceylon,

The Swedish Match Company,

Bombay.

DEAR SIR,

With reference to your letter of the 12th instant, concerning taxation in Sweden as mentioned by Mr. Mehta during his evidence before the Tariff Board in connection with the enquiry now proceeding about the Match Industry in India, I beg to state that there is no "Foreigners' Tax" in Sweden except in two instances, viz., Commercial Travellers of non-Swedish nationality who are charged a certain fixed fee, independently of their earned income, for the license to transact business in Sweden, and the members of the entertainment profession who are liable to pay a certain percentage of the box takings as tax to the Swedish authorities. Foreigners resident in Sweden are subject to similar taxes as Swedish citizens but those taxes are not based upon a percentage of their income. The principles governing the assessment of the Swedish taxes are very intricate and need not be dealt with in this connection. Swedish subjects residing abroad are, of course, similarly assessed in accordance with the taxation laws valid in the country where they are living.

Yours faithfully,

(Sd.) C. A. E. SILFVERHJELM,
Consul General for Sweden.

No. 23.

Letter from the Swedish Match Company, dated the 4th February 1928.

AFFIDAVIT, MESSRS. A. N. AND R. N. FUTEHALLY.

With respect to the question raised by Dr. Mathai during the oral evidence of Mr. S. Schele before the Board on December 18th, I wish to make the following supplementary statements.

About the time of the discussions with Messrs. Futehally a similar arrangement has been discussed with the Bombay Match Works.

The fact that the matter was under discussion with a third party has been mentioned to Messrs. Futehally, but I deny that I have said that arrangements were almost completed.

As to amalgamation of some of the more important factories our object was to standardize and simplify manufacturing as well as distribution, which,

as a matter of fact, if introduced at that early stage would have led to a healthier state of the trade than is the case to-day.

I deny, however, having stated that as a result of the amalgamation referred to I expected to control all the match factories.

No. 24.

Letter from the Swedish Match Company, dated the 24th February 1928.

In reply to your letter of even date, I have pleasure in enclosing a statement giving the number of boxes that can be made from 1 lb. of splints and 1 lb. of box veneers respectively. As you will and, I have given the information for both half and full-size in accordance with your wishes.

Enclosure.

Statement showing the number of Gross of Match Boxes per lb. of splints, empty boxes and skillets:

In the statement below the Sp. Gr. of dry Aspen wood is assumed to be 0.46 to 0.48, the humidity of wet veneers to be 50 per cent. and the thickness of the veneers to be 0.70 to 0.75 m/m.

No. of gross of match boxes per 1 lb. (waste excluded).

	Full size.	Half size.
Splints	0.504 (78 boxes)	0.898 (129 boxes)
Ready made boxes without labels	0.783 (106 boxes)	1.142 (164 boxes)
Wet skillets for complete boxes (i.e., outer box veneers, inner box veneers and bottom veneers)	0.409 (59 boxes)	0.644 (93 boxes)

WIMCO MATCHES.

Analysis of Margin between average wholesale Price and average Cost of Production year 1927.

Kind of Matches.	Wimco average wholesale price.	Sales charges to be deducted,						Wimco net selling price realized.	Charges deducted at H. O.			Wimco profit.	Wimco average cost of production.
		Actual commis- sion.	Office allow- ance.	Total.	Dealers commis- sion and allow- ance.	Freight and Trans- port charges.	Sales charges Grand Total.		Head Office Expenses.	Depre- ciation.	Total.		
		1	*3	4	5	*6	7		8	*9	*10			11	*12	13
	Rs. A. P.	As. P.	As. P.	As. P.	As. P.	As. P.	As. P.	Rs. A. P.	As. P.	As. P.	As. P.	As. P.	Rs. A. P.
‡ Size Matches, Ambernath.	1 5 0½	0 4½	0 6	0 10½	1 1½	0 7½	2 7½	1 2 4½	1 1½	0 9	1 10½	0 3½	1 0 3
‡ Size Matches, Calcutta.	1 11 1	0 4½	0 8½	1 0½	1 7½	1 3½	4 0	1 7 1	1 1½	1 0	2 1½	1 0½	1 3 11

* Item 3 varies according to the deliveries made by the respective agencies.

„ 9 increases or decreases according to our total turnover in India.

„ 6 can be materially reduced if we make ‡ size in Calcutta or ‡ size in Madras, as the expenses in question chiefly represent transfer charges for ‡ size from Bombay to Calcutta and ‡ size from Calcutta to Madras, which expenses are not fully recovered through a corresponding increase of the price of such goods.

„ 10 fluctuates according to production.

„ 12 does not include interest on borrowed capital

Report regarding wood consumption at the Ambernath Factory during the year 1927.

During the year have been manufactured 45,927 cases of 50 gross each. Of this, 9,248 cases were manufactured entirely of imported Aspen wood, 6,259 entirely of Indian wood, 771 with boxes and skillets from stock and matches of imported Aspen wood, 1,542 with boxes of Indian wood and matches from stock, 29,849 with boxes of Indian wood and matches of imported Aspen wood.

The value of boxes and skillets from stock was Rs. 14,825.

The value of splints from stock was Rs. 18,155.

The total consumption of Indian wood was 238,801 c. ft. for which have been paid Rs. 316,003.

Under the heading 'Indian wood' is included a small amount of Shinanoki, a kind of Chinese pine, to the extent of about 10 per cent.

The total consumption of Aspen wood was 180,572 c. ft. for which have been paid Rs. 480,597.

For the sake of simplicity, the statement below only deals with first quality, i.e., match sticks made of imported Aspen wood and boxes of Indian wood; second quality, i.e., cases made entirely of Indian wood and also the average price per case, including skillets, boxes and splints from stock, without consideration to quality.

The figures work out as follows:—

Indian wood—		
Average c. ft. per case, 1st quality		Rs. 5-66
Average rupees per case, 1st quality		7-49
Average c. ft. per case, 2nd quality		11-32
Average rupees per case, 2nd quality		14-98
Average rupees per c. ft.		1-32
Aspen wood—		
Average c. ft. per case, 1st quality		8-69
Average rupees per case, 1st quality		9-82
Average rupees per c. ft.		2-66
Cost prices—		
1st quality		17-81
2nd quality		14-98
Average when splints, boxes and skillets from stocks are included in the amount		18-06

Bombay, 23rd February 1928.

Report regarding wood consumption at the Ambernath Factory during the month of August 1927.

During the month, 4,219 cases of 50 gross each were manufactured of which all were first quality, i.e., matches made of Aspen wood and boxes of Indian wood; but 280 cases of the above were made with matches of imported splints with a value of Rs. 6,026.

The total consumption of Indian wood was 26,657 c. ft. for which was paid Rs. 33,325.

The total consumption of Aspen wood was 10,518 c. ft. for which was paid Rs. 28,848.

The figures asked for work out as follows:—

Average price per c. ft. of Indian wood	Rs. 1.25
Average price per c. ft. of Aspen wood	Rs. 2.74
Average consumption of Aspen wood per case	2.67 c. ft.
Average cost price of above	Rs. 7.32
Average consumption of Indian wood	6.82 c. ft.
Average cost price of above	Rs. 7.90

Consequently the cost price of wood per case will be:—

	Rs.
For cases with matches made at the factory	15.72
For cases with matches made of imported splints	29.42

Average 16.16

Bombay, 22nd February 1928.

No. 28.

Statement showing expenses for wages with frame-filling system compared with continuous machine (Simplex).

A. Frame filling system—

	Cost per case in pies.
Frame filling	100.0
Transport of filled and empty trolleys	5.6
Paraffining and dipping	12.5
Transport and drying	10.0
Frame emptying	22.3
TOTAL	150.4

or Re. 0-12-6 per case of 50 gross, 60 sticks.

B. Continuous machine—

Out-turn of one machine 20 cases per day.

Each machine requires the following attendants—

One filler	@ Rs. 1 8 0
One emptier	@ Rs. 2 0 0
One for composition	@ Re. 1 0 0

Total wages Rs. 4 8 0 for 20 cases.

or Re. 0-3-7 per case of 50 gross, 60 sticks.

A.	Rs. 0 12 6
B.	Rs. 0 3 7

The difference in favour of continuous machine

Rs. 0 8 11 per case of 50 gross, 60 sticks.

If we, however, have to count on one European fitter for four continuous machines we have to add 4 annas per case to the wages for continuous machine thus leaving a profit of only Re. 0-4-11 per case of 50 gross in favour of the continuous machine.

In the above statement the expenses for Indian fitters have not been taken into consideration as same can be considered as being equal in both the instances.

Bombay, 21st February 1928.

The wages cost for frame filling system in our calculation is arrived at in the following way:—

Frame filling—

One trolley of 25 frames gives 1,150 boxes.

Rate for filling one trolley, Re. 0-1-4.

Cost for one case of 7,200 boxes: $\frac{7,200 \times 16}{1,150} :: 100$ pies.

One frame filling machine, out-turn 5 cases per day, attendance 1 man.

Transport of filled and empty trolleys—

Piece rate, Re. 0-0-9 per 10 trolleys.

Cost for one case, $\frac{7,200 \times 9}{11,500} :: 5.6$ pies per case.

Paraffining and dipping—

Piece rate, Re. 0-0-2 per trolley.

Cost, $\frac{7,200 \times 2}{1,150} :: 12.5$ pies per case.

Transport and drying—

Transport piece rate and drying daily wages—

Rate for transport, Re. 0-0-9 per 10 trolleys.

Cost for one case, $\frac{7,200 \times 9}{11,500} :: 5.6$ pies per case.

Drying: 1 man for 40 cases.

Cost per case, 4.4 pies.

Frame emptying—

Piece rate, Re. 0-0-3½ per trolley.

Cost per case, $\frac{7,200 \times 3\frac{1}{2}}{1,150} :: 22.3$ pies per case.

Out-turn one machine: 16 cases.

Attendance: 1 man.

Bombay, 24th February 1928.

No. 29.

*Report regarding the possibilities of comparing the cost price per case at
Factories manufacturing full-size and/or half-size.*

In order to render possible a direct comparison of works cost per case between full-size and half-size, it is necessary to convert certain figures

participating in the grand total either by increasing the figures for half-size or by reducing the figures for full-size, according to certain principles which have to be worked out theoretically. In our Head Office, the former system is adopted, (i.e., converting half-size figures to be compared with full-size figures).

Attached to this report is a chart marked "General-converting Figures".

This chart shows the relation in percentage between full-size and half-size for the different items which affect the difference in the total cost price.

As previously mentioned, the figures in this chart are reached at by theoretical calculation, but as the recapitulation how this has been done, would bring one too far, it must suffice with a few examples:—

- (1) The working hours and wages required for frame filling, paraffining, dipping, emptying and continuous machines are evidently in direct proportion to the number of match sticks in a box, or, in this case, the relation between 65-66 sticks to 68-90 sticks or 74 per cent.
- (2) The working hours and wages required for box making, labelling and box filling are the same for full-size and half-size, and consequently, the relation 100 per cent.
- (3) The quantity of box paper for the different sizes is in direct proportion to the length and width, (i.e., the area) of paper necessary for a box, and is, for inner box paper, 73 per cent. and for outer box paper, 66 per cent.
- (4) The quantity of friction composition, (i.e., Amorphous Phosphorus, etc.) required is in direct proportion to the area painted on the sides of the boxes, and is 67 per cent.

The figures under review may vary within very narrow limits only.

When figures for factories manufacturing different sizes are compared after being converted to the same standard, these give one only a theoretical idea of the relative efficiency of the factories. If one wants practical bearings as to the efficiency, etc., many other things must be taken into consideration.

For instance, in a comparison between the Calcutta Factory making full-size and the Ambernath Factory making half-size, the following must be regarded as very important:—

- (1) While, at the Ambernath Factory, the unit price for wood is practically the same the whole year, it varies between very wide limits in Calcutta. During 1927, the lowest price noted in Calcutta was Re. 0.45 per c. ft., and the highest price, Rs. 1.01.
- (2) The Ambernath Factory is situated far away from big cities whilst the Calcutta Factory within the town which necessarily causes higher piece-rates and wages.
- (3) At the Calcutta Factory, the manufacturing is carried on in buildings unsuitable and not constructed for the purpose which, for certain operations, means more factory hands.
- (4) In the Cost Price Statements of the Calcutta Factory, the rent for the hired factory buildings is included in the cost price, whilst, in the Cost Price Statements of the Ambernath Factory, no interest on our own factory buildings is included.
- (5) The output of the Ambernath Factory is about twice that of the Calcutta Factory which causes less expenses per case for management, supervision and other over-head charges.

When everything is taken into consideration, it will be found that the efficiency of the two factories under review is very much the same although the converted figures are slightly in favour of the Ambernath Factory.

By the way of information, it may be mentioned that when comparing Swedish Factories manufacturing different sizes, the following total converting figures are used :—

- ‡ size—55 sticks is the standard and equals 100,
- ‡ size—65 sticks, equals 90,
- ‡ size—90 sticks, equals 123,

which means a relation between half-size and full-size of 73 per cent, against 78 per cent. used at our factories in India. The difference between these figures is due to facts which cannot be entered into in this report.

To this report, are attached the following :—

- (1) One chart marked :—“ General Converting Figures ”, which has already been explained.
- (2) One graphical marked :—“ Wages per 10 cases, ‡ size, 1927 ”.
- (3) One graphical marked :—“ Working hours per 10 cases, ‡ size, 1927 ”.
- (4) One graphical marked :—“ Cost price per case, ‡ size, ‡—30th June 1927 ”.
- (5) One statement marked :—“ Cost price per case, ‡ size, 1st quality, for Ambernath (converted), Calcutta, 1927 ”.
- (6) One statement marked :—“ Cost price per case, ‡ size, 2nd quality, for Ambernath (converted), Burma, Calcutta, 1927 ”.

Graphical No. 4 and Statement No. 5 are completed only for the part of the year indicated on them.

In all the above graphicals, the statements and figures are converted to the same standard and the lines and figures are consequently directly comparable.

- (7) Four statements marked :—“ Calcutta and Ambernath Monthly Summary of running figures per ten cases, December 1927 ”.

These statements show the actual running figures for the month of December 1927 for the Factories in Ambernath and Calcutta, and also Ambernath's running figures converted to full-size.

No. 30.

Scale of Charges in Bombay.

A. Imported Matches—

Alternative I.—European exporting house, importing house India, wholesale dealer, up-country dealer—

	As. p.
	p. g.
Merchant Houses commission	1 0
Landing and clearing	1 2½
Wholesale dealers' profit	1 0
Carting to station	0 2
	<hr/>
TOTAL	8 4½

Alternative 2.—Indian import house, cost of insurance, cost of credit London, wholesale dealer, up-country dealer—

	As. P.
	P. G.
Cost of insurance	0 0½
Cost of credit London ½ per cent. on Sh. 1	0 1
Indian Import House profit	0 10½
Landing and Clearing	1 2½
Wholesale dealers' profit	1 0
Carting to station	0 2
TOTAL	5 4½

Where Indian import-house sells direct to up-country dealer, it can be taken that their profit is increased by the commission which is otherwise given to the wholesale dealer.

B. *Local Matches.*—Indian factories selling organisation, wholesale dealers and/or broker, up-country dealer—

	As. P.
	P. G.
Commission to selling organisation	1 0
Commission to wholesale dealer	1 0
TOTAL	2 0

For local matches in Bombay Presidency goods are delivered f.o.r. railway stations except goods for the Bombay bazaar or markets on the West Coast south of Bombay, particularly the Malabar Coast. Rail freight to Bombay is As. 9-5 per case or 228 pies per gross. These despatches comprise about 10 per cent. of the total production. Against this must be noted that despatches from Ambernath are cheaper than from Bombay, as per following examples:—

Freight.	Ambernath.			Bombay.			Difference.		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
Delhi	8	8	4	9	12	7	1	4	3
Madras	8	11	4	8	15	11	0	4	7
Bhopal	6	2	3	6	7	11	0	5	8
Jhansi	8	5	6	8	11	2	0	5	8
Muttra	7	11	5	9	6	9	1	11	4
Aligarh	7	15	0	9	6	0	1	9	0

If these two factors balance, the prices of Indian matches can be taken as f.o.r. factory station compared with f.o.r. Bombay station for foreign goods. In order to bring foreign matches on the same basis as local matches Re. 0-1-4½ per gross should be added to foreign matches representing the following:—

	As. P.
Landing and clearing	1 2½
Carting	0 2
TOTAL	1 4½

NOTE.—Landing and clearing charges vary in the different ports. Karachi port charges As. 12 and clearing As. 4 or 4 pies per gross.

In Calcutta the cost is about 6 pies per gross and in Rangoon 4 pies.

No. 31.

Cost of Irrevocable Letters of Credit.

Deposit demanded in Bombay, from firms of good standing and for goods readily saleable, 20—25 per cent. (some Banks charge $\frac{1}{2}$ per cent. commission).

Interest from time of opening credit to time of shipment, 6 weeks.

Sailing interest, 6 weeks at 9 per cent.— $2\frac{1}{2}$ per cent. on £25 deposit=12 weeks, 9/16 per cent. per £100.

No. 32.

Matches Charges—Bombay.

	Per pkg. (50 or 100 gross).
	Rs. A. P.
Port Trust Charges	1 8 0
Agency fees, coolies, cartage to godown, delivery to dealers	2 0 0
Godown Rent and Insurance	0 4 0
	<hr/>
	3 12 0
	<hr/>
Godown to station	0 8 0

No. 33.

Realised Prices Wimco, Ambernath and Wimco, Calcutta per gross for the Years 1924-27.

	1924.	1925.	1926.	1927.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Wimco, Ambernath	1 15 8 $\frac{1}{2}$	1 12 4	1 6 8 $\frac{1}{2}$	1 2 4 $\frac{1}{2}$
Wimco, Calcutta	2 6 5	2 0 10	1 13 2 $\frac{1}{2}$	1 7 1

No. 34.

The difference in the cost of the machinery required for a factory capable of producing 5,000 gross half size matches per day and one capable of turning out 5,000 gross full size per day:

If the average box contents of the half size factory is 60 sticks per box and the box contents of the full size factory is 90 sticks per box the difference will be Rs. 185,000.

If both the factories are making out an average content of 60 sticks per box the difference will be Rs. 100,000.

No. 85.

Quantity of wood necessary for 100 gross based upon experiments made at the Ambernath factory on the 3rd and 4th of January 1928.

	For boxes.
	c. ft.
Shembat	18 5
Simul	9 0
Aspen	3 9
	For matches,
	c. ft.
Shembat	18 5
Simul	9 0
Aspen	5 6

No. 86.

Shipments of half-size Safeties and Sulphurs (Swedish) to Indian Ports.

(In 50 gross cases).

Years.	Bombay.		Calcutta.		Madras.		Karachi.		Tuticorin.		Rangoon.	Total.
	Saf.	Sul.	Saf.	Sul.	Saf.	Sul.	Saf.	Sul.	Saf.	Sul.	Saf.	
1923	29,640	9,030	7,018	...	1,280	180	5,500	1,200	...	...	...	53,798
1924	7,412	7,952	2,220	...	3,570	545	3,530	990	...	...	...	26,219
1925	11,030	13,365	3,276	600	5,220	1,590	3,390	1,225	...	...	410	40,106
1926	9,560	10,020	4,192	400	5,070	1,700	5,242	1,025	155	455	116	37,985
1927	5,545	1,590	1,625	250	700	640	700	1,225	175	402	200	13,052

No. 37.

Estimated cost of depreciation and maintenance for frame filling system compared with continuous machine.

1. *Frame Filling system :—*

	Rs.
Cost of machinery for 20 cases output	30,400
In the above is included 1,000 frames.	
Depreciation 12 per cent. of Rs. 30,400: :	3,648
Repairs and native fitters	2,100
Cost of replacement of frames and laths	2,400
Total per year	8,148

or per case: $\frac{8148}{6000}$: : Rs. 1.358 or Rs. 1-5-8.

2. *Continuous Machine :—*

	Rs.
Cost of machine	45,000
Depreciation 10 per cent. of above	4,500
Repairs and native fitter	1,200
European fitter	1,500
Total per year	7,200

or per case: $\frac{7200}{6000}$: : Rs. 1.2 or Rs. 1-3-2.

No. 38.

Estimate regarding the cost of full size matches manufactured in Calcutta and half size matches manufactured in Ambernath on the condition that the Calcutta factory is of the same efficiency as the Ambernath factory.

The estimate is based upon the following dates:

1. The average wages for actual match making per 10 hours are:—

	Rs.
In Calcutta	1.45
In Ambernath	1.17

2. The working hours for 1 case full size are:—

	Rs.
In Calcutta	65.4
In Ambernath	60.6

which latter is converted from half size.

3. The price per c.ft. of Aspen will be the same in both the factories.

4. The prices per c.ft. of Indian wood are:—

	Rs.
In Calcutta	0.65
In Ambernath	1.25

5. The wages partake in the grand total with 17 per cent.
6. The Indian wood for boxes only partakes in the grand total with 10 per cent.
7. Other items partake in the grand total with 73 per cent. at a rate of 22 per cent., i.e., a converting figure of 78 per cent.
8. The relation between wood for full size and half size is 20 per cent.

Wages:—

$$\frac{1.45 \times 60.6}{1.17 \times 65.4} :: 1.15 \text{ or } 15 \text{ per cent.}$$

As the wages partake in the grand total with 17 per cent. the effect on same will be:—

$$\frac{17 \times 15}{100} :: 2.6 \text{ per cent. in disfavour of Calcutta.}$$

Wood:—

$$\frac{0.65}{1.25 \times 0.65} :: 80 \text{ per cent. or } 20 \text{ per cent. in favour of Calcutta.}$$

As the wood partakes in the grand total with 10 per cent. the effect on same will be 2 per cent.

Other Items:—

$\frac{73 \times 22}{100} ::$ Effect in grand total is 16 per cent. to the disadvantage of full size.

*Summary.**Percentage:—*

Against	16.0+2.6 : 18.6%
For	2.0%
	TOTAL . 16.6%

This is equal to a total converting figure of 83.4 per cent. which means that if the cost price of one gross of half size matches in Ambernath is Rs. 1 it will be Rs. 1.20 in Calcutta which is equal to Rs. 1.3-2.

No. 39.

Letter from the Swedish Match Company, dated the 12th March 1928.

Your letter of even date is to hand. The statement of the wholesale prices of Japanese and Swedish matches has been kept back as I have been trying all along to obtain some reliable information for the period before we came out here. I find this is impossible however, as there are no books left, and information submitted to me has been conflicting. It appears that the bazaar dealers in those days took advantage of temporary shortages and other circumstances to increase their rates as much as possible. The statement I am now submitting refers to the period when we have had our own representative both in Bombay and Calcutta. As far as I know, there is nothing further to submit.

Comparative list of average Swedish and Japanese prices, 1922-1927.
BOMBAY AND CALCUTTA.

	BOMBAY.										CALCUTTA.					
	Swedish.					Japanese.					Swedish.			Japanese.		
	½ saf.	⅓ saf.	½ sul.	⅓ sul.	½ sul.	½ saf.	⅓ saf.	½ sul.	⅓ sul.	½ sul.	½ saf.	⅓ saf.	½ saf.	½ saf.	⅓ saf.	½ saf.
Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1922	2 12 6	3 6 0	2 10 0	2 12 0	2 12 0	2 4 0	2 6 0		2 6 6		...	...	...	..	...	...
	2 8 0	3 0 0	2 8 0	3 0 0	3 0 0	2 12 0	2 14 0		2 18 6							
1923	2 6 0	2 12 0	2 7 0	2 12 0	2 12 0	2 2 0	2 4 0	1 anna above ½ satotes.	2 4 6	1 to 2 annas over ½ sulphur.	2 6 0	2 10 0	2 12 0	2 3 3	..	2 9 0
	2 7 0	2 15 0	2 10 0	2 9 0	3 0 0	2 8 0	2 10 0		2 11 0							
1924	2 5 0	2 10 0	2 5 0	2 12 0	2 10 0	2 5 6	2 0 6		2 8 0		2 4 0	2 8 0	2 10 0	2 3 0	...	2 4 0
	2 7 0	2 15 0	2 7 0	2 9 0	2 14 0	2 6 0	2 8 0		2 9 0							
1925	2 4 0	2 10 0	2 4 0	2 6 0	2 10 0	...	...	...	...	...	2 3 0	2 10 0	2 12 0	2 2 0	...	2 8 0
	2 7 0	2 15 0	2 6 0	2 9 0	2 12 0											
1926	2 4 0	2 10 0	2 4 0	2 6 0	2 10 0	...	...	...	...	...	2 3 0	2 10 0	2 12 0	...	...	2 7 0
	2 7 0	2 15 0	2 6 0	2 10 0	2 12 0											
1927	2 4 0	2 8 0	2 0 0	2 6 0	2 11 0	...	...	...	...	...	2 3 0	2 10 0	2 4 0	...	...	...
	2 6 0	2 15 0	2 6 0	2 12 0	2 15 0											

No. 40.

(Form II (See question 75).

THE WESTERN INDIA MATCH COMPANY, LIMITED, AMBERNATH
FACTORY.*Statement showing works cost per gross of matches.*

	August 1927.
	As. P.
1. Cost of wood for splints and veneers	5 3
2. Cost of paper	0 9
3. Cost of chemicals	2 0
4. Cost of other raw materials	0 8
5. Factory labour	2 1
6. Power and fuel	0 4
7. Ordinary current repairs and maintenance of buildings, plant and machinery	1 0
8. General services, supervision and local office charges	1 1
9. Miscellaneous, e.g., rent, municipal taxes, in- surance, etc.	0 2
10. Cost of packing cases	1 9
	<u>15 1</u>
Total production in gross	210,950

No. 41.

Swedish Match Company, letter dated 22nd March 1928.

With reference to my conversation with the Board this morning, I have pleasure in confirming that the following were our c.i.f. prices for the various ports in December:—

	½ size.	¼ size.
	d.	d.
Bombay	10½	½
Calcutta	11	10
Madras	½	½
Karachi	½	½
Rangoon	1	½
Tuticorin	½	...
Weighted average for all ports	1	½·2

I also confirm that the above prices hold good at present in respect of stocks on the spot, but for fresh shipments from Sweden, wholesale market rates have been and will be arranged in such a manner as to leave a nett c.i.f. recovery of ½d. for ½ size and ¼d. for ¼ size. As mentioned at our interview, I confidently expect that if our import business in India is being maintained at all in the future our c.i.f. rates will be stabilised round the following figures:—

	d.
½ size	10 c.i.f.
¼ size	½ c.i.f.
½ size	½ c.i.f.

F 2

I think my Principals in Sweden would be willing to confirm these figures in writing.

No. 42.

Letter, dated 19th March 1928.

With reference to our conversation I beg to give below the distances from Khopoli and Honavar to our Ambernath Factory—

	Miles.
Khopoli to Ambernath	45
Honavar to Ambernath	371

No. 43.

Dimension of and number of splints in, $\frac{3}{4}$ size match boxes.

The standard dimensions of the $\frac{3}{4}$ size match box are:—

	Inches.
Length	$2\frac{15}{16}$
Width	$1\frac{9}{16}$
Height	$\frac{1}{2}$

Other measurements are in millimetres as per attached blue print.

No. of splints in a $\frac{3}{4}$ size Match Box.

56 to 57 splints exclusively in Calcutta and partly in Bombay and Madras
74 to 76 splints exclusively in Karachi and partly in Bombay and Madras.

THE SWEDISH MATCH COMPANY.

B.—ORAL.

Evidence of Mr. S. SCHELE, recorded at Calcutta on Wednesday,
the 13th April, 1927.

Introductory.

President.—You are the General Manager for India, Burma and Ceylon of the Swedish Match Company.

Mr. Schele.—Yes.

President.—We are very much indebted to you for meeting our arrangements at considerable inconvenience to yourself. You postponed your visit to Europe for us for a fortnight and you also supplied us with fairly exhaustive replies on the points dealt with in the questionnaire. But I would like to explain to you one or two points, for your information as well as to guide you in this enquiry to some extent. Of course you say that you have got no case to state.

Mr. Schele.—Yes, we have no case to state.

President.—Therefore you wish your evidence to be taken in camera. It is not for me to advise you as to what course you should adopt because you are the best judge of that but I think I would like to point out to you that you are very much interested in this enquiry. After I have stated the points to you if you still wish to be heard in camera—of course I have no power to compel you, nor have I any desire to compel you to give your evidence in public—it is for you entirely to say. In Burma I explained at some length the scope of the enquiry.

Mr. Schele.—I have read your speech.

President.—Mr. Sundgren was present there and I thought you must have read it.

Mr. Schele.—I have.

President.—There are one or two things there which I am sure will interest you. There is the statement by almost every applicant that the Swedish Company is operating here as a trust and they contend that it would be to the prejudice of the country to allow this company to operate as a trust, if it was established that it was operating as a trust. Those are the kinds of allegations made. Therefore it is our duty to enquire into that, is not that so?

Mr. Schele.—Yes.

President.—Unless we give you an opportunity of either proving that the trust does not exist or that it will not operate to the prejudice of the country our recommendations should be defective. In any case if you had not had that opportunity, it would be a hardship. Supposing we came to the conclusion that there was this trust and that we were of the opinion that that trust should not be allowed to operate to the prejudice of the country, then you sat quiet and said nothing it would be very difficult for us to ignore this body of evidence which would be led against you and to say that it had not been established, so that it does seem to me that in the interests of your own company, of which as I say you are the sole judge, you should come forward and assist the Board in investigating this aspect of the case.

Mr. Schele.—Yes.

President.—How can we do it if you insist upon evidence being given in camera?

Mr. Schele.—My request to be heard in camera refers to the present moment.

President.—When you say that you have not a case to state, I am suggesting to you that you have a case which you may state.

Mr. Schele.—At the same time as we have no objection to the Tariff Board's using for themselves what I am going to say, we don't wish the information to be published at the present moment. I think that when I return from leave and these investigations continue, I shall probably be in a position to allow you to publish everything.

President.—We are very grateful to you for that. I see that you have no objection to placing all the facts before us. This is a public enquiry. It arises in this way. These allegations have been made against the trust publicly and therefore they should be met by the company publicly and unless the company does that, the investigation is incomplete. If you tell me *in camera* what these people say is not right—I am just giving you an example—we have got no means of deciding whether what you say is right or whether what they say is right. But if the statement is made in public, all people can read in the papers that the Swedish Company has made such and such a statement and if they don't agree with that, they can come and give evidence before us if they choose.

Mr. Schele.—We can probably arrange to have the whole thing published later on. At present the difficulty lies in drawing a line between my evidence in public and my evidence *in camera*. Certain points may arise unexpectedly. For this reason I think that it will be much easier, after seeing the report of the proceedings, to say whether and to what extent the proceedings may be published.

President.—The point is this that as a general principle I hope you will be able to agree that what is publicly alleged against the Company should be publicly met by the Company.

Mr. Schele.—Yes, but you know sometimes when allegations are made which are altogether unfounded, you don't even go to the trouble of contradicting them.

President.—You run a great risk in that case.

Mr. Schele.—We don't think we do because we have a very clear record. We feel you will be able to prove this without approaching us for information.

President.—I am just trying to point out that we have got to weigh the evidence on both sides.

Mr. Schele.—I fully appreciate your views and whatever can be done later, we shall certainly do it. But at present I should very much appreciate if you would agree to my request.

President.—At present I have no objection to the evidence being taken *in camera* and to treat it as confidential. But if subsequently we are not able to use that evidence, then more or less your side of the case may go by default. We cannot base any argument on evidence taken *in camera* and we may have to say that these allegations have been made and as far as we can see they must stand because there is no evidence to the contrary.

Mr. Schele.—I fully appreciate your views.

President.—There is another point on which I think the Company may be interested and on which evidence should be given in public. A proposal has been made by one or two applicants that an excise should be levied not on all Indian matches but on matches manufactured by foreign companies. That of course we have to consider. Supposing we are to investigate that, you will have naturally something to say about it, I presume.

Mr. Schele.—I don't think that we have much to say on that point.

President.—It is for you to consider whether you are sufficiently interested in that question or not. Supposing we came to the conclusion that this company is in substance financed by foreign capital and that a special excise duty should be levied on it; if you say that you are not interested in that point, I have nothing to say.

Mr. Schele.—I don't say I am not interested, but I think the facts will rather speak for themselves.

President.—Well, facts do not very often speak for themselves unless they are explained. When you go to your head office, you have got to explain to them the points that are put to you now. It is for that reason that I am rather going out of my way to make some suggestions to you, so that you may be able to persuade the authorities at home to agree to the proceedings being published.

Mr. Schele.—Yes.

President.—We shall now proceed on the assumption that some time later you may be able to allow us to publish your evidence.

Mr. Schele.—Yes.

The process of manufacture.

President.—There are certain papers which I have not been able to study sufficiently to examine you on all the questions in the introductory part. So, I propose to take them up at a later stage. At present I won't ask you any questions connected with answers to questions Nos. 1, 2 and 4. In answer to question 3 you say that you carry out the whole process of manufacture.

Mr. Schele.—Yes.

President.—That is to say, you manufacture from the log stage right up to the finished matches.

Mr. Schele.—Yes.

Dr. Matthai.—Is that the case in every one of your factories?

Mr. Schele.—Yes.

Dr. Matthai.—Have you ever considered the question of having separate factories for separate processes in connection with any of your factories?

Mr. Schele.—Yes.

Dr. Matthai.—And you have definitely turned it down.

Mr. Schele.—We have found that it does not pay.

President.—I think that this point requires a little more investigation. At present I take it that you have not found it practicable to separate the processes in India because I take it that you are using chiefly imported wood on the Bombay side.

Mr. Schele.—Yes, for splints and exclusively Indian wood for boxes.

President.—For veneers you use exclusively Indian wood.

Mr. Schele.—Yes.

President.—On the Bombay side I take it that you have not found any very suitable wood for splints.

Mr. Schele.—No.

President.—That is one of your reasons for importing wood.

Mr. Schele.—Exactly.

President.—As far as we can see at present, that does not apply in its entirety to Burma.

Mr. Schele.—No.

President.—In Burma they have found wood which is more suitable than any that you have found on the Bombay side.

Mr. Schele.—Not in our opinion.

President.—What I mean is that in Burma they have found wood which is more suitable for splints in many varieties than you have so far found here.

Mr. Schele.—I should say equal to what we have found in Bombay but inferior to what we have found in Calcutta.

President.—That is just the point. What is the principal kind of wood that you have found in Bombay?

Mr. Schele.—Salai. That is the only one we have used with success.

President.—Have you got any specimens of the splints here?

Mr. Schele.—No. We have made a certain quantity of matches from it.

Mr. Mathias.—Is salai better than genwa?

Mr. Schele.—No. Genwa is better than salai, because it is whiter.

Mr. Mathias.—Have you found it better than sawbya or maulettanshe?

Mr. Schele.—From an economic point of view, that is to say it is more economical in the cost of production.

Dr. Matthai.—Is it largely a question of wastage?

Mr. Schele.—Yes.

President.—That is to say, you get a better outturn?

Mr. Schele.—In Calcutta than we do in Burma.

President.—In Burma I think the figure given was 33 c.ft. for 100 gross boxes—veneer and splints. How much would this salai wood give?

Mr. Schele.—I think our figures in Burma are higher than those given by others—minimum 20 c.ft. per 50 gross of matches or 40 c.ft. for 100 gross.

President.—They said they got 156 gross from 1 ton and another 25 c.ft. for the cases, so that it appears that they have attained better practice than you have in Burma.

Mr. Schele.—Provided their figures are correct.

President.—Supposing you realized these figures would you still consider that the Indian woods are better?

Mr. Schele.—In that case I would say it is very much the same.

President.—That brings us to this point about the separation of processes. Supposing you took any particular part of India or Burma where you have got suitable wood and you get it by plantation or in some other way by which you can get your wood from one big source. Then, would you still suggest that it would not be practicable to manufacture your splints near those areas to be sent to other parts of India for finishing?

Mr. Schele.—Our calculations so far, not only in this country but in other parts of the world, have gone to prove that it is more economical to have the whole process carried out in one place.

Mr. Mathias.—It is a question very largely of supervision, is it not?

Mr. Schele.—Yes, you have to maintain two establishments.

Mr. Mathias.—You have to have a double number of engineers, skilled labour mechanics and so on, so that it is mainly a question of superior staff and overhead charges?

Mr. Schele.—Yes, but further also packing and unpacking and arranging the splints again. If you have one match factory the whole process is going on continuously. If you have a separate splint factory it means that you have to level the splints, pack them in cases, then you have to unpack them on arrival at the factory and level them again for the frame-filling operation.

Mr. Mathias.—In the main it is a question of increase of superior staff which is necessitated by having two separate factories.

Mr. Schele.—Yes.

Dr. Matthai.—Does the difficulty of getting labour come in?

Mr. Schele.—Yes, in India particularly if the splint factory is situated in the forest area.

President.—I just want to understand what it involves apart from what you call overhead. First of all you must have a manager there, an office and that sort of thing, but apart from that I want to know what additional processes or what additional expenditure it will involve to have a splint factory near the forest. What processes can you carry on in the forests? Can you do merely the chopping or can you do impregnating and other things as well?

Mr. Schele.—It is very difficult to say unless you know where exactly it is. I suppose one could have a try at the other processes as well.

President.—Up to what stage can you carry on the manufacture in close proximity to the forests? Let me give you a concrete instance. Take Burma. As you know Messrs. Adamjee Hajee Dawood and Company have got a reserve. It is about 50 to 60 miles from Rangoon. Supposing you were to manufacture splints there: to what stage can you carry on the manufacture?

Mr. Schele.—First of all it would be necessary to peel the logs and chop the veneers into splints. Further, the splints would have to be dried as well because otherwise they would get mouldy if they were packed moist in the case. Finally, they would have to be levelled and then packed into cases.

President.—Would they be ordinary cases or special packing cases?

Mr. Schele.—Any kind of case would do.

President.—Would they require any lining?

Mr. Schele.—In the monsoon they would require lining.

President.—Then you have got to unpack these?

Mr. Schele.—Yes, and then level them again in order to put them into the frame filler.

Mr. Mathias.—In the case of a very small company which relied on hand machinery the question of superior mechanical labour would not come in and for such a company it may possibly be an economical proposition to manufacture splints in the forests.

Mr. Schele.—When you come to the case of a cottage industry it may be difficult for it to carry even the overhead charges because even one man in the forest would mean a higher overhead charge.

Mr. Mathias.—Would it not be economical for a big company which depended entirely on machinery to have such a splint factory?

Mr. Schele.—No. They would have to maintain two establishments.

President.—How long will the splints keep before they can be finished?

Mr. Schele.—I should say once they have been properly dried they would keep a year, but when I say that, I am thinking of aspen. As regards Indian wood they would become dark if kept long.

President.—Supposing we did not attach much importance to the colour?

Mr. Schele.—Then they last longer.

President.—It is rather an important point in this way: supposing matches were to be made on a large scale in India out of Indian wood. There are parts of India where they cannot get wood economically but they might get splints made out of Indian wood elsewhere, so that if the splints could be kept for a reasonable period it does not seem to me to be a very difficult proposition.

Mr. Schele.—No. I don't think so except that in India it would be very difficult to get labour up in the forests. This is a question which we have considered carefully, and I am relating our experience.

President.—It does not require enormous labour.

Mr. Schele.—No.

President.—Your machinery in Bombay, I suppose, would be still more up-to-date than Messrs. Adamjee's?

Mr. Schele.—Yes.

President.—As far as I could see it did not require very much labour.

Mr. Schele.—Yes, but whatever labour you have you must be able to depend upon.

Mr. Mathias.—Do you find the labour employed by you averse to living in the jungle?

Mr. Schele.—We often find difficulty in keeping labour. Even in a place like Ambarnath because they want to live in the town. At Dhubri for instance we find that we cannot retain our labour.

President.—That arises in India wherever you employ local labour but it does not arise where you keep imported labour. In Burma we did not find much evidence to show that there was very much labour trouble. In Burma it is imported labour and the labour is very reliable, whereas in Bombay you have labour which comes to the town in the dry season and wants to go away to the fields in the monsoon. That does not happen in Burma where you have imported labour so that it is not such a serious question.

Dr. Matthai.—I find from your answers that only 10 per cent. of your labour at Ambarnath is local labour and the rest comes from outside.

Mr. Schele.—Yes.

Dr. Matthai.—So that supposing you had a factory planted somewhere near a forest area, a distance of a few hundred miles would make no difference to them?

Mr. Schele.—I have got labour figures here which are rather interesting. Out of a total labour force of 1,517, only 80 remained from 1924, 410 from 1925 and 665 from 1926 leaving a balance engaged in 1927. That is for Ambarnath. In Calcutta of a total 780, 61 remained from 1924, 196 from 1925, 333 from 1926 and 128 from 1927, and those are people whom we have trained at considerable expense and trouble and that is where we come in at a disadvantage. We train the people and then gradually they leave us.

President.—Up to the splint cutting part have you any objection to telling us what amount of labour you would require for, say, an output of 50 gross only up to that stage?

Mr. Schele.—I will let you know to-morrow.

President.—Take your Ambarnath factory. If the splints were made near the forest how much labour would you require, say, for 100 cases?

Mr. Schele.—I will let you have this information to-morrow.

Mr. Mathias.—You have read Mr. Troup's book and you know that he makes a recommendation that splints should be prepared actually in the forests near the site of matchwoods. Do you know of any factory in India which has followed that recommendation?

Mr. Schele.—I don't think anybody has done that.

Mr. Mathias.—Although the recommendations were made 15 years ago the experience of the match factories would appear to prove that it is not an economical proposition?

Mr. Schele.—Yes. As a matter of fact we promoted a Company in Burma in 1925 to manufacture splints in the jungles.

President.—Where did you start it?

Mr. Schele.—In Rangoon. We were going to manufacture splints in the jungle, but after we had gone carefully into the question on the basis of actual experience we found it would not pay.

President.—That point will not arise unless the supply of it was concentrated, that is to say unless you had a natural forest where you get the wood in very large quantities or you had a plantation. I am assuming that there is a plantation or that in very large quantities wood is available. In such a case I would like to understand what the difficulties would be in the way of manufacturing splints. You have mentioned these two, first it would add to the cost and second the difficulty about labour, but if very large quantities of labour were not required, then the difficulty is not very great.

Mr. Schele.—No.

President.—Then can you give me some idea of the additional cost that this would mean? Can you give me any information?

Mr. Schele.—I can go into it and let you know.

President.—How much would it cost?

Mr. Schele.—It depends on local conditions.

President.—Such as.

Mr. Schele.—How far away it is from a civilised part of the country

President.—We have got to assume certain conditions. We will assume that the forest is more or less accessible and we will also assume that there is no unusual labour difficulty. I think those two things may be assumed.

Mr. Schele.—This is all really ancient history in match-making. If there were an advantage, the Swedish Match Company would obviously have splint factories on the other side of the Baltic instead of bringing the logs to Sweden.

President.—We have got to come to some decision.

Dr. Matthai.—At present what is the position in Sweden? Do you get your wood locally?

Mr. Schele.—Yes, both from Sweden and outside.

Dr. Matthai.—The bulk of it from outside.

Mr. Schele.—Finland and from the Baltic Provinces. What I said is based on practical experience. The Swedish Match Company would hardly do it if it paid better otherwise.

President.—Generally from your experience you definitely say that it is not an economic proposition to manufacture splints near the forests.

Mr. Schele.—No, it is not an economic proposition.

President.—It is better to carry out all the processes in one place.

Mr. Schele.—Yes, if at all possible.

Location of factories.

President.—Supposing we came to the conclusion that this sort of wood was available in Bombay and Burma and also in Calcutta, do you suggest that the manufacture of matches should be confined to these points where wood is available or would you suggest that factories may be established in other parts of India and wood may be sent from those three different places to other parts?

Mr. Schele.—Speaking generally, I think one should, if possible, try to combine a large market with vicinity of raw materials.

President.—That is to say you would have large factories in the vicinity of those places where there is wood available in large quantities.

Mr. Schele.—Yes.

President.—You distribute your matches from those centres rather than distribute the wood to different centres, is that what you mean?

Mr. Schele.—It is very difficult to say which point is the most important. It depends on the cost of distribution.

President.—I want your opinion as an expert about Indian conditions.

Mr. Schele.—I would say the vicinity of raw material is the most important.

President.—The principal raw material is wood.

Mr. Schele.—The match industries of Sweden and Japan are to a great extent founded on that fact. They are close to suitable wood, and that is a very important point.

President.—It means this that the manufacture of matches must be confined to few centres.

Mr. Schele.—I fully agree.

President.—And the rest of the country must be supplied from those centres with finished matches and not the wood, is that your idea?

Mr. Schele.—Quite so.

Organisation of the Swedish Match Company.

President.—In answer to question 4 you give the dates when you started manufacturing matches in India. I take it that these factories were started in India, because the duty on matches was raised.

Mr. Schele.—Yes, and we found that our competitors took advantage of that at once. We watched developments for some time, as we could not conceive that matters would be allowed to continue but when we saw our competitors take the trade away from us, we had no choice but to commence manufacturing in India as well.

Mr. Mathias.—When you refer to your competitors, do you mean the factories in Bombay which started importing splints and making matches?

Mr. Schele.—Yes, that was to a great extent supported by Japanese capital.

Mr. Mathias.—You started your factory on the same lines to start with.

Mr. Schele.—Yes, one factory.

Mr. Mathias.—Which was that?

Mr. Schele.—Ambarnath only with a production of 25 cases a day.

Mr. Mathias.—Afterwards when the duty was put on splints, you changed your procedure and utilised partly Indian wood and partly imported logs.

Mr. Schele.—Yes. Then we started to look round for Indian wood.

Mr. Mathias.—And thereafter you increased your factories.

Mr. Schele.—Yes.

Dr. Matthai.—Can you give me some idea of the position of the Western India Match Company? I am finding it a little difficult to follow. Are all these Companies independent of one another?

Mr. Schele.—Yes, they are.

Dr. Matthai.—Are they separate Companies?

Mr. Schele.—They are independent of one another, but they are under the same management.

Dr. Matthai.—The Western India Match Company, are they the managing agents for these other Companies.

Mr. Schele.—No.

Dr. Matthai.—The Assam Match Company has got its local directorate and the Burma Match Company has got its local directorate.

Mr. Schele.—Yes, but the management is concentrated in Bombay.

Dr. Matthai.—These local Directors have their powers restricted through the control of the Western India Match Company.

Mr. Schele.—In the ordinary way according to the Company law we have a Directors' meeting and the Managing Director cannot do more than what is endorsed by the Board of Directors.

Dr. Matthai.—You have not any more direct connection with the Western India Match Company than with other Companies.

Mr. Schele.—No. I am the Managing Director of Western India Match Company.

Dr. Matthai.—In that capacity you have a general control over all the Companies.

Mr. Schele.—I have only a general control over the Western India Match Company in that capacity.

Dr. Matthai.—Has the Western India Match Company a general control over all the rest?

Mr. Schele.—No.

Mr. Mathias.—May I ask you whether you contemplate closing down any of the factories specified here or adding any more?

Mr. Schele.—I don't think we are going to add any others. There is a small chance of closing down the Burma Match Company.

Dr. Matthai.—You have no proposals regarding Madras or Karachi.

Mr. Schele.—Our original idea was to establish factories near the main timber supplies, but afterwards we found on investigation that there was no suitable wood in those places.

Dr. Matthai.—Have you one in Ceylon?

Mr. Schele.—Yes, that is working with imported splints and veneers.

President.—What about Karachi?

Mr. Schele.—No timber is available there.

Mr. Mathias.—Do you contemplate starting a match factory in the Andamans?

Mr. Schele.—No. We were to a certain extent influenced by Mr. Troupe's book. For instance in a place like Rajahmundry I spent some time there to find out whether there were prospects of wood supplies and there was not the slightest chance of getting any supply at economical rates. Another place is Bareilly. We made investigations there and found that we could not obtain sufficient timber.

President.—I may point out to you that it would be just as well for you to consider whilst this enquiry is going on not to extend your operations too much, because it is obvious that if you did, it would make our task more difficult and your own position may not be sufficiently safeguarded.

Mr. Schele.—I fully appreciate that. It is rather a difficult position.

President.—If you get any more concessions for working the forests, while the enquiry is proceeding, that would rather embarrass the Board as well as you, would it not?

Mr. Schele.—Yes.

Dr. Matthai.—When you took over the Burma Match Company and the Mandalay Match Company, were they working concerns?

Mr. Schele.—The latter had been closed down but the former was working.

President.—As regards your answer to question No. 5, they are maximum capacities of the various factories. You have not yet attained that output.

Mr. Schele.—Yes, we have in Calcutta.

President.—In Calcutta you have reached 5,000 gross.

Mr. Schele.—Yes, and in Ambarnath we expect to reach 8,500 gross in a couple of months' time.

President.—That is its maximum capacity.

Mr. Schele.—Yes.

President.—As regards Assam, is 1,250 gross the maximum capacity?

Mr. Schele.—I think we should be able to make 1,500 gross in Assam.

President.—What are you making now? I think you have given some figures.

Mr. Schele.—I don't think I have given that. We are making about 15 cases a day.

Mr. Mathias.—Is that in Assam?

Mr. Schele.—Yes.

President.—How many working days do you take in a year?

Mr. Schele.—300 days.

President.—Then the Burma Match Company you say you might close down.

Mr. Schele.—That is really an old concern. We have been considering whether it would prejudice our case if we closed it down under the present circumstances. It is not an economic proposition.

Mr. Mathias.—What case?

Mr. Schele.—I mean the Tariff Board's investigation.

President.—If you were to close it down on the ground that it was not an economic proposition, it is a very good ground. So far as we are concerned, we do not allow any concern which is not run on economic lines.

Dr. Matthai.—What was the trouble with these two factories that you closed down at Parel and Mandalay. As regards Mandalay the trouble I take it was wood supply.

Mr. Schele.—Yes, and the machinery was old. We installed some new machinery, but then the wood was unsatisfactory.

Dr. Matthai.—What about the Parel factory?

Mr. Schele.—It was a small unit. In Ambarnath we shall instead increase to 8,500 in about two months' time. Instead of having two establishments, we wanted to have one only.

President.—Can you tell me why you selected Ambarnath as the site? How many miles is it from Kalyan Station?

Mr. Schele.—About 3 miles.

President.—That is a railway station.

Mr. Schele.—It is on the Great Indian Peninsula line.

President.—Is it a new station?

Mr. Schele.—No, I don't think so.

President.—Is your factory close to the railway station?

Mr. Schele.—Yes.

President.—That was selected I suppose because the site would be cheaper.

Mr. Schele.—Yes. There was a lot of propaganda from the Bombay Development Department. They promised new industries all kinds of advantages. Once it appeared to be an unfavourable site but subsequently we have revised our opinion. We can retain our labour better there than if the factory was in a town.

President.—Kalyan is about 42 miles from Bombay. Ambarnath would be about 3 miles from Kalyan. So, your factory at Ambarnath would be about 45 miles from Bombay.

Mr. Schele.—Yes.

Mr. Mathias.—You say that to run a factory with small production is not economical. Does the same thing apply to the Mandalay Match factory?

Mr. Schele.—It applies to all factories. The reason why we started these small factories was that we wanted to be near the sources of wood supply.

Mr. Mathias.—Why I was asking you that question was this. Probably it would be more economical if you brought down the machinery from Mandalay to Rangoon and extended your Burma Match Works and kept them both running in one place.

Mr. Schele.—It is partly that. Instead of keeping two establishments we can do with one. But we did not actually move the machinery because we have already some difficulty in selling the output of the Rangoon factory.

Dr. Matthai.—Is your machinery at Parel old machinery?

Mr. Schele.—We had a set of Japanese machinery and we wanted to find out really what was most suitable for India—either Japanese machinery working on rather primitive methods or modern machinery.

Dr. Matthai.—Are the Japanese machines power-driven?

Mr. Schele.—They can be worked by power and hand combined.

President.—Does it add much to your comfort to be at Ambarnath? You have got to carry, if you are using imported wood, your wood from Bombay Docks to Ambarnath. That is one item. Then, you have got to carry your chemicals in the same way.

Mr. Schele.—Yes.

President.—And then you have to send your matches from there.

Mr. Schele.—Yes.

President.—You are on the G. I. P. line. If you are to book your matches direct from the G. I. P. line to Bombay, Baroda and Central India Railway, you would have the disadvantage of paying a higher freight because they go over two lines.

Mr. Schele.—In certain instances we pay higher rates.

President.—You have to pay a high rate on the 50 miles because it is a short run and as you go on to another line, you will have to begin by paying the higher rate, is not that so?

Mr. Schele.—We have been exempted from that.

President.—Supposing you book from Ambarnath to Surat, will they charge you for 45 miles plus 166 miles which is the distance?

Mr. Schele.—In the beginning it was cheaper to send goods from Bombay than from Ambarnath, but this was an untenable position. We approached the Railway who made the necessary adjustments. In the case of Ambarnath there really was not much choice. The Bombay Municipality did not grant any licenses for match factories within their limits; in fact they are averse to any new industry because they want factories to develop outside in order to provide more space for houses, etc., in Bombay proper.

Match sizes.

President.—As regards dimensions, the usual standard dimensions are half and full sizes.

Mr. Schele.—Yes.

President.—You don't make the three-fourths size.

Mr. Schele.—No, not in India:

President.—I take it that the three-quarter size is used chiefly in Burma.

Mr. Schele.—No, not in Burma. It is used chiefly in the Punjab. It is an old size. 15 years ago India had only this size. Now it has been pushed out by full and half sizes.

President.—In Europe the three-fourth size is more common.

Mr. Schele.—That is the most popular size.

President.—It is both narrower and longer.

Mr. Schele.—It is not longer and it is not so high. $\frac{3}{4}$ is another size which is only sold in Burma and in the Federated Malaya States.

President.—The ordinary European standard size is the three-quarter size.

Mr. Schele.—Yes.

President.—The usual sizes in India are full and half sizes.

Mr. Schele.—Yes.

President.—In Burma and Malaya States $\frac{3}{4}$ is the size that is generally used.

Mr. Schele.—That is only for imported matches. It is a size that will die out. We have got some stock of that size in Burma at present which is difficult to dispose of.

Dr. Matthai.—What about the imported matches? Are they full and half sizes?

Mr. Schele.—In Burma only full size is being imported.

Dr. Matthai.—In India?

Mr. Schele.—Full, half and three-fourth sizes.

Dr. Matthai.—Which size would be typical of imported matches; half or full, in the Indian market?

Mr. Schele.—It depends entirely on the market. Calcutta takes full size Burma also takes full size. But Bombay takes half size.

Dr. Matthai.—If you take the imports over the country as a whole?

Mr. Schele.—I can give you the right proportion between the different sizes—if I look into the statistics, but I estimate 60 per cent. half size and 40 per cent. full size.

President.—In making our calculations as to costs and so on, would it be right to take for India the full size?

Mr. Schele.—You would have to take both sizes.

President.—How can we unless we know in what proportion they are manufactured and what the different costs are?

Mr. Schele.—I think I have given you the difference in costs calculated from our own experience. If you take the cost of half size as Rs. 100, then the cost in India of full size is Rs. 142—42 per cent. more. If you take the cost of full size as Rs. 100, the cost of half size is about Rs. 71.

President.—Do you keep your cost accounts in that way? I am asking you generally because so far we have not been able to get separate costs. We have been told by others that their costs are averaged.

Mr. Schele.—Yes, because first of all they don't keep accounts properly and secondly they make full size and half size in the same factory which, of course, is uneconomical.

President.—What do you do yourself?

Mr. Schele.—We only make one size in each factory.

President.—Is that so?

Mr. Schele.—Yes.

Dr. Matthai.—At Ambarnath, you make half size?

Mr. Schele.—Yes.

Mr. Mathias.—Why do you say that it is uneconomic to make more than one size in a factory?

Mr. Schele.—Because the whole process is getting mixed up. If you make several sizes in a factory it would cost you more.

President.—Have you got to keep two different sets of machines for two different sizes?

Mr. Schele.—Yes, you have to arrange them for the different sizes.

President.—It will require the fresh adjustment every time.

Mr. Schele.—Yes.

President.—That of course would mean delay.

Mr. Schele.—Yes. Apart from that, the whole manufacture is being mixed up.

President.—That may account for increased costs.

Mr. Schele.—Yes, every time.

Dr. Matthai.—At present in Calcutta you make full size and in Bombay you make half size.

Mr. Schele.—Yes.

President.—Do you get your Bombay matches in Calcutta for the half size?

Mr. Schele.—We ship them to Calcutta.

President.—Do you find it more economic to ship the half size matches from Bombay than to manufacture them here?

Mr. Schele.—Yes, at present.

President.—What do you make in Assam?

Mr. Schele.—In Assam we make half size. When the Assam Company gets going we propose to let that factory cater for the half size on this side of India because that would be more economical than to send from Bombay.

Mr. Mathias.—Do you sell your Indian made matches in the Calcutta City market?

Mr. Schele.—Yes, to a certain extent.

Mr. Mathias.—Since when?

Mr. Schele.—We started about a year ago.

President.—Supposing the country decided that there should not be this wastage in respect of size and that everybody should use only one size of matches, which would you recommend for India?

Mr. Schele.—That is a very difficult question.

President.—Which is most economical to manufacture, the three-quarter size—to split the difference between Bombay and Calcutta—or the half size or the full size?

Mr. Schele.—I don't think that it makes any difference as far as the cost of production goes.

President.—It does not make any difference.

Mr. Schele.—No. We obtain a higher price for the larger box.

President.—It means this that instead of one factory you would have three, if you are to manufacture three sizes.

Mr. Schele.—Yes, but you don't have to manufacture the three-fourth size.

President.—Two sets of factories might do for India, one for full size and another for half size.

Mr. Schele.—Yes. As half size is consumed entirely in the Bombay Presidency, the factory there is very conveniently situated from that point of view. At the same time as full size is consumed in Calcutta, Burma and Madras, the factory on this side of India is very conveniently situated. The factories in the Bombay Presidency are never called upon to make full size matches. It is only on this side that there is a mixed demand. In Burma there is no mixed demand. The demand there is only for full size.

President.—As regards output, you have given for three years. In practically three years' time you have reached your full output, more or less.

Mr. Schele.—Yes.

The Ambarnath factory.

President.—Take your Ambarnath factory. From the time you thought of having a factory in India, how long did it take you to build a factory and start manufacture?

Mr. Schele.—I should say one year.

President.—The Western India Match Company, Limited, was registered in 1923 and you started manufacturing in 1924.

Mr. Schele.—Yes.

President.—It took you one year.

Mr. Schele.—Yes. We could have done it much quicker if we had used corrugated sheds. But we did everything *pucca*.

President.—I must say that you have been unusually quick in getting it going within a year.

Mr. Mathias.—Is that from the time when you decided on having a factory in India?

Mr. Schele.—Yes.

President.—It is a pity that we did not have an opportunity of seeing it before examining you. Do you work 300 days in a year?

Mr. Schele.—Yes.

President.—As regards Sweden, do you consider that the vicinity of the principal raw materials, vicinity to important markets and abundant labour supply, are the three important factors?

Mr. Schele.—Yes.

President.—Would you not consider water supply too? Would you not keep your wood in water?

Mr. Schele.—We must have water too.

President.—How do you arrange for water at Ambarnath for instance?

Mr. Schele.—We don't keep our wood there in water, because it is not really necessary to keep wood in water.

Kind of wood used.

President.—You use chiefly imported wood at Ambarnath, do you?

Mr. Schele.—We use a fair quantity of Indian wood for boxes.

President.—For splints?

Mr. Schele.—We use chiefly imported wood.

Mr. Mathias.—If you don't keep the wood in water does it not deteriorate very quickly?

Mr. Schele.—If you keep Indian wood in water it gets worse.

Mr. Mathias.—So you don't recommend keeping Indian wood in water at all?

Mr. Schele.—No.

Mr. Mathias.—You think the best procedure is to have the wood straight from the forest and start to work at once?

Mr. Schele.—Yes. If you could do that it would be a tremendous advantage.

Dr. Matthai.—How much of your year's consumption have you got to keep in stock?

Mr. Schele.—Imported wood about three months to be on the safe side and Indian wood we use as soon as we get it. Last year we tried to keep it stored during the monsoon but were not successful and had to import the wood required for boxes.

Mr. Mathias.—You do not lay in any stock of Indian wood for the monsoon?

Mr. Schele.—No, because it would not last. We are trying this year to do it to a certain extent and we shall really know after the monsoon how it has succeeded.

President.—In your case the most important consideration is the vicinity of the market because you are using imported wood so far as splints are concerned and also importing all raw materials, chemicals and so on. Supposing there was no duty then the most important consideration would be wood, would it not?

Mr. Schele.—Yes.

President.—But because there is this duty, the most important consideration is the market.

Mr. Schele.—Market and labour when you come to the Indian wood of course.

President.—Do you find this Indian wood more economical for veneers than imported wood?

Mr. Schele.—That depends, of course, on the price that we have to pay.

President.—I understood you to say that you were using local wood for veneers?

Mr. Schele.—Yes.

President.—So that it is obviously cheaper to use Indian wood than to import your wood for veneer?

Mr. Schele.—If you use a Japanese wood called chinanoki which is cheaper than aspen it comes practically to the same cost.

President.—In Sweden do they use separate kind of wood for veneers?

Mr. Schele.—No, the same kind.

President.—Is it more economical to use the same kind of wood for both veneers and splints?

Mr. Schele.—That is so in Sweden.

President.—If you had to use Indian wood would you rather use the same kind of wood for splints and veneers or would you have different classes of wood for splints and veneers?

Mr. Schele.—I don't think there is any drawback in using different kinds so long as you can rely on the quality.

President.—Speaking of wood for veneers do you find any difficulty in using Indian wood?

Mr. Schele.—We do, but we have to do it all the same.

President.—Because aspen would be more costly?

Mr. Schele.—Yes.

Mr. Mathias.—How does aspen compare with Indian wood as regards outturn?

Mr. Schele.—You get more splints out of aspen than you get from Indian wood.

Essential qualities of a good splint.

President.—As regards quality, what do you consider the principal qualities of the most perfect Swedish match? First of all as regards splints I want to know what makes a good splint, I mean the stick?

Mr. Schele.—It must not break either in the process of manufacture or when you strike it. In India you will often find half the sticks in a match box broken.

President.—That would, of course, depend on the way one handled them.

Mr. Schele.—After all there must be a certain amount of handling which is the same everywhere.

President.—Then in striking it must not break, isn't that so?

Mr. Schele.—That is so.

President.—So long as it possesses the minimum strength that is required for lighting, if it has not got the extra strength of the aspen, does it really matter? For example, see the matches which Messrs. Adamjee Hajee Dawood and Company manufactured (specimens shown).

Mr. Schele.—I must say that I have never in my experience in India seen such fine matches as you have now put on the table.

President.—We have seen these during the process of manufacture. What I want to know is, so long as the matches do not break in lighting you do not consider them inferior?

Mr. Schele.—I don't know why I should. They are very nice matches.

President.—What it comes to is, first strength in manufacture and secondly strength in striking. Now, if the output from Burma woods is, say, about $\frac{1}{3}$ of a ton for 100 gross boxes, that does not suggest very great weakness in the matches, does it?

Mr. Schele.—Unless broken matches are used to fill up the boxes.

President.—But supposing they do not use broken matches for filling the boxes?

Mr. Schele.—I would not say that the weakness came in so much there, but other considerations may come in.

President.—Quite so, but if you have got yield in that percentage it means the wood is not too weak to stand the process of manufacture and it will be reasonably economical if you got that output.

Mr. Schele.—Provided the matches are first class and there are no broken sticks.

President.—It is only an indirect way of finding out whether they are of reasonable strength because it would be very largely determined by the output. That is as regards the strength of the sticks. The other point of which much has been made is the colour. That determines the quality also.

Mr. Mathias.—Genwa provides the best quality of Indian manufacture.

Mr. Schele.—Yes.

Mr. Mathias.—It is not even as good as letpan.

Mr. Schele.—This is not a fair specimen of letpan (sample shown). I am most emphatic about it. We have made splints exclusively from letpan at Mandalay and we have tried our best to get good matches.

President.—Leave that out for the moment. But maulettanshe is not so very bad.

Mr. Schele.—No.

President.—Nor is the sawbya.

Mr. Schele.—Sawbya is still whiter.

President.—But maulettanshe is supposed to be better.

Mr. Schele.—We think that sawbya is better from the selling point of view. We can sell matches made from sawbya more easily.

President.—These tiger matches are undoubtedly whiter, but from the selling point of view you find that some customers attach a good deal of importance to colour.

Mr. Schele.—Nearly all customers seem to do that, because it looks nicer.

President.—No doubt it looks nice. Does it add to the lighting quality?

Mr. Schele.—No, not the colour.

President.—Colour does not add anything to the lighting quality. It is purely a matter of taste.

Mr. Schele.—Absolutely.

President.—Taste is a matter of money and circumstances chiefly.

Mr. Schele.—Quite.

President.—In what other respects do you suggest that the Indian match is inferior?

Mr. Schele.—When we are talking of splints, you will find that paraffin doesn't soak properly in some Indian wood, so that the stick doesn't catch the head properly and the head falls off.

Dr. Matthai.—Does it depend upon the paraffin it contains? I thought it has something to do with the glue in it.

Mr. Schele.—No.

President.—Do you consider that sawbya is subject to the same defect?

Mr. Schele.—It is, but not to the same extent.

President.—Supposing all matches in India were made of the same quality as the samples here, would you consider them inferior?

Mr. Schele.—No. In the case of Indian matches, you will further find that the inside box is not quite good.

President.—The breaking of the inner box, do you assign that to the inferior wood or to the defective manufacture?

Mr. Schele.—It is due to defective manufacture and inferior wood.

President.—There again we are just now considering whether good matches can be manufactured in the country or not by training labour, by having an up-to-date machinery and so on. I am suggesting to you that if matches of the class just now shown could be manufactured, they would be considered reasonably good.

Mr. Schele.—Yes.

Mr. Mathias.—Would they be as good as imported matches?

Mr. Schele.—I would not say that.

President.—Supposing you didn't attach any importance to appearance, whiteness or anything like that, would you consider these matches as good as the foreign matches in that case?

Mr. Schele.—There are other things. In the case of the Indian box you will find that the striking surface is rough, because the wood on which the paper is pasted is not smooth.

President.—We will deal with that when we come to veneer. Apart from the question of taste and appearance, is there really much difference in it?

Mr. Schele.—Then, of course, there is another very important question and that is the monsoon. I don't think you will find that those matches give satisfaction during the monsoon.

President.—We have got to test them. We will get a few boxes and see.

Mr. Schele.—You all know during the war that Japanese matches could not strike during the monsoon.

President.—Is it due to wood or due to defective manufacture?

Mr. Schele.—It is due to composition *plus* paraffining, because if the paraffin doesn't soak in well, you don't get the immediate connection between the flame and the wood which you require to get the fire.

President.—I am speaking merely from recollection. I think Adamjee's chemist told us that in this respect these classes of wood were superior to the aspen so far as taking in the paraffin was concerned. Anyhow that was his opinion.

Dr. Matthai.—The absorbing of paraffin does not depend on the quality of wood?

Mr. Schele.—Depends on the texture of the wood. It is like blotting paper.

Dr. Matthai.—Is the wood more porous?

Mr. Schele.—Yes.

Dr. Matthai.—What are the woods you use in Bombay for splints principally?

Mr. Schele.—Salai.

Dr. Matthai.—How does that compare with sawhya in respect of absorbing power?

Mr. Schele.—Just about the same.

Dr. Matthai.—Is there any kind of Indian wood that is distinctly favourable in that respect?

Mr. Schele.—No.

Mr. Mathias.—Does salai compare favourably with sawhya matches in colour and so on?

Mr. Schele.—Salai is darker than sawhya. The difficulty is to get sawhya of the proper quality in Burma. You may get 10 tons for a season, but if you want 500 tons a year, it would be much darker.

President.—The point is in this enquiry we have got first of all to find out what are the classes of wood which grow in India and which can be grown in India in larger quantities. As an expert I am asking you whether these classes of wood would lend themselves easily to the manufacture of good matches.

Mr. Schele.—I think if you get this kind of wood (sample boxes shown) and have an assurance that the quality is even irrespective of the quantity you take, I don't see why it should not be used.

President.—It is a pity you were not in Burma when we examined the Forest Officers on these points. We should be very glad when this evidence is printed, if you would kindly go through it and give us your expert opinion at some later stage. It would be very valuable to us. There we have taken a good deal of evidence on those points and we want to know whether you would agree with what they have stated.

Mr. Schele.—I shall do so.

President.—We were talking of the quality of sticks when we adjourned for lunch.

Mr. Schele.—Yes.

Wood for veneers.

President.—I think that you wanted to say something about the defects of the wood for veneers.

Mr. Schele.—I don't think that we touched the composition.

President.—No. I am not talking of the composition now. I am talking of the wood entirely. Are there any special defect about veneers?

Mr. Schele.—Do you mean veneers for making boxes? For boxes we use various kinds.

President.—Let us take Sawbya, Maulettanshe, Letpan and Gwe.

Dr. Matthai.—At present you don't use any imported wood at Ambarnath?

Mr. Schele.—No. We did last year.

President.—Are there any special defects in the Indian wood as regards veneers?

Mr. Schele.—The boxes break easily in the edges. Formerly we used Letpan in Burma but for this reason we have now gone over to Maulettanshe and Sawbya for boxes.

Mr. Mathias.—What harm does that do?

Mr. Schele.—It spoils the appearance.

Dr. Matthai.—Do you mean that it breaks when you use it or when you make it?

Mr. Schele.—The edge of the box breaks when it is being made. In the box-making machine, the whole thing breaks when it is going round. I dare say you saw that in our Burma factory.

President.—Sawbya does not seem to be very bad.

Mr. Schele.—It is much better. It is chiefly letpan that causes trouble.

President.—Letpan is the principal wood in this part of India.

Mr. Schele.—Again we find that letpan is quite different from the Bombax that we have in Bombay. Bombax in Bombay is much easier to work than Bombax in Burma. Then again, we get quite a different Bombax in Assam.

Mr. Mathias.—Don't you get any variation in the Aspen?

Mr. Schele.—Aspen is always the same.

President.—What about pine? Is it good for veneers?

Mr. Schele.—It is not good for veneers.

President.—There are considerable quantities of pine in Burma.

Mr. Schele.—Yes, there are still more in Sweden.

President.—Do you use it for paper and other things?

Mr. Schele.—We do. It would be cheaper than Aspen.

Mr. Mathias.—Do you find that the consumers in Sweden are particular in regard to such matters as colour, brittleness of boxes and so on?

Mr. Schele.—The brittleness of boxes does not affect the consumer so much as it affects the manufacturer.

President.—The waste occurs chiefly in the veneer.

Mr. Schele.—Yes. Sometimes after you have put the paper on, the whole lot breaks. Then again, you get broken fibre and when you paste the paper on it, you get a rough surface which causes friction, and consequently the striking surface becomes less durable.

Mr. Mathias.—Actually the striking surface lasts sufficiently long till all the sticks in a box are used.

Mr. Schele.—It ought to, but it wears off quickly.

Dr. Matthai.—You will admit that as far as box veneer is concerned, the drawbacks of Indian wood are not by any means so serious as in the case of splints.

Mr. Schele.—I would put it the other way. One has really to be more particular with veneers for box-making than with veneers for splints.

Dr. Matthai.—The fact that at present you are not using any imported wood for box veneers in your biggest factory at Ambarnath seems to me to prove that the defects are not by any means great.

Mr. Schele.—Why we don't use it for splints is the colour and to a certain extent the paraffining defect. As I pointed out to you just now, one has to be still more careful about box-making.

Dr. Matthai.—Judging by your Indian experience as far as Ambarnath factory is concerned the drawbacks of Indian wood may be disregarded. That is what you have done.

Mr. Schele.—They are disregarded to such an extent only that it is cheaper to use Indian wood.

Dr. Matthai.—It does not affect your market apparently.

Mr. Schele.—No. But we have to select the veneers very carefully before we use them on the machine. We have a special staff to select the veneers.

President.—The point is, as Dr. Matthai has pointed out just now, that you have found the Indian wood suitable for marketable purposes.

Mr. Schele.—Yes, from the market point of view.

Match Composition.

President.—As regards the composition, what are the properties of good composition as regards striking?

Mr. Schele.—First of all they must strike under all climatic conditions and secondly they must not be too hot, that is to say, ignite very easily because then there is the risk of self-ignition. Neither must it be too slow because then you won't be able to light at all. They must not flare up like fireworks.

President.—They must not also glow.

Mr. Schele.—Quite. If they do, the heads may fall down and cause fire.

President.—These may happen anywhere where the manufacture is imperfect. Why should the Indian matches be more guilty of these defects?

Mr. Schele.—They are due to climatic conditions when making the matches?

President.—They could be rectified by chemicals very largely.

Mr. Schele.—We have done it to a certain extent but we have not succeeded altogether.

President.—In course of time you would be able to understand the climate better.

Mr. Schele.—I hope so.

President.—Then, you may be able to produce better results. That is a matter of pure experience. There is nothing impossible in making your formula in such a way that you can make as good matches here as you make in Sweden.

Mr. Schele.—The difficulty is that you have constant changes here. It is chiefly a question of humidity. You have one humidity in the morning, one at noon and another in the evening.

President.—You have that in England too.

Mr. Schele.—Not so much. If you have a day of high humidity in England, it will at least last the whole day.

President.—Surely that would not affect the manufacture.

Mr. Schele.—Oh, yes, it would.

President.—In that case you can regulate the atmosphere of the factory if it comes to that. It is not very difficult. In the textile and other industries, they have been able to adopt devices to get over the difficulty.

Mr. Schele.—It might be done, but that is a big thing. Take our Dhubri factory which is made of corrugated sheets. I don't see how one could possibly keep the factory away from the influence of outside atmosphere.

President.—That is perfectly true. You built it like that because you thought it might do.

Mr. Schele.—It is a matter which can be investigated further.

President.—It is a matter which calls for research.

Mr. Schele.—Yes.

Dr. Matthai.—As to the difference between the sort of composition you get in the imported matches and the Indian made matches. Is it a question of proportion or is it a question of the quality of chemicals used?

Mr. Schele.—I should say we obtain the same quality of chemicals, also the same formula as they have at home.

Mr. Mathias.—Do you work the same formula?

Mr. Schele.—Yes, with some slight alterations.

Mr. Mathias.—Do you claim that in the case of your imported matches the heads are decidedly better in their operation than those of Indian matches made by you.

Mr. Schele.—They are.

Mr. Mathias.—Exactly in what respects?

Mr. Schele.—They are more even and stand the humidity better.

Mr. Mathias.—Do not the Indian matches light as well?

Mr. Schele.—They do but not so well as Swedish matches.

Dr. Matthai.—As far as you are concerned, you started with the formulæ employed by factories in Sweden and you are gradually experimenting with a view to adapting them to climatic conditions in India.

Mr. Schele.—We have in Sweden a test room where we prepare compositions for different climes and different countries, for instance, West Africa, India, South America, etc. We create the necessary different atmosphere. It is a kind of strong room where you get the required atmosphere.

President.—It is all a matter of research. It has got nothing to do with any natural disadvantage.

Mr. Schele.—I would say that we have arrived at a very fair and good formula for India. Our main trouble now is to be able to meet constant changes in the atmosphere.

President.—Let us hope that you will be able to meet them.

Mr. Schele.—Yes.

President.—That may take a little time.

Mr. Schele.—We are at it all the time. We are carrying on experiments continuously.

Dr. Matthai.—You have had only so far three years' experience of making these things. It is far too soon to say that the question of chemical composition is against the manufacture of matches in India.

Mr. Schele.—I quite agree.

Mr. Mathias.—For practical purposes the composition that you employ is satisfactory.

Mr. Schele.—Yes.

Mr. Mathias.—If any one wants to use your Indian made matches throughout the rains, he will be able to get a light from the majority of them, though perhaps one here and one there may fail.

Mr. Schele.—Yes, unless it is an exceptionally wet day.

The prejudices against Indian made matches.

Mr. Mathias.—Coming back to the question of prejudice, what do you attribute the prejudice to? For example, in France, the matches are a Government monopoly. Most of the sticks are dyed red, and apparently no objection has been taken to that. Why is the consumer in India so very particular about the colour of the splints? What is the reason for that?

Mr. Schele.—It is very difficult to say. I think that it is due to the conservatism of the people. In France, for instance, they have got sulphur matches. No other nation in Europe would look at those matches because they nearly suffocate you. Still if you go to the provinces, in France, you cannot obtain anything else. It must be due to conservatism.

Mr. Mathias.—Therefore it is a matter of education.

Mr. Schele.—I think it is.

Mr. Mathias.—Perhaps, a few years' education will make them use even coloured matches.

Mr. Schele.—If they cannot get anything else, they will have to use coloured matches.

President.—There is a question which you have not answered. The question is "Is there any prejudice apart from the question of quality against Indian matches either generally or in particular markets." In answer to that you say "No, on the contrary there is a preference for Indian matches in many markets due to the present low price." I think that you have misunderstood the question. If a thing is cheap a man buys it. But the point that we are trying to ascertain is how much more you can get for your Swedish matches than for Indian matches?

Mr. Schele.—That question is answered in my reply under 9 (c). I thought you meant "Is there any place where people said 'We won't buy Indian matches'?"

President.—If you offer him better looking matches, how much more is he prepared to pay for them?

Mr. Schele.—That depends on his purse.

President.—That is just the point—how far he is prepared to open his purse in order to buy a better looking match!

Mr. Schele.—I should say in India not very far because you are already facing a position where imported matches disappear more and more every year.

President.—But still to-day there is a certain class of consumer here who is buying your match in preference to the Indian match because it is better looking, and it burns better, isn't that so?

Mr. Schele.—Yes, but it is very difficult to give a definite statement on these matters because it must be guess work.

President.—You mean the question cannot be answered in that way. But the point is, to-day there is a certain class of consumers who prefer the Swedish matches to the Indian and that they would be prepared to pay more for the Swedish matches. Would it be right to say that to-day that preference would be represented by, say, 12 to 14 annas a gross?

Mr. Schele.—No.

President.—What would you assume it to be?

Mr. Schele.—That depends, as I have tried to answer in another question, on how much of the trade you want for India. There may be 1 per cent. of the population who are prepared to pay a high price, and say another 4 per cent. who come in if the price is slightly lower. Say, for arguments sake,—if you start from the beginning when local matches were first made—50 per cent. of the population were buying imported matches and 50 per cent. the Indian matches which then were about 1 anna below the price of imported, then the difference became 4 annas, and 60 per cent. of the population commenced to buy, and so on till perhaps the last man would only buy local instead of imported matches if the difference was very great indeed. But reasonably speaking I would say that apart from the small percentage of the population who would always buy imported matches, there is very little difference. We know that from practical experience. When we started at Ambarnath to sell our goods our price was Rs. 2-3-0 against about Rs. 2-4-0 for imported.

President.—It is only a very small percentage of the population who would buy the Swedish match at any reasonable price rather than buy Indian matches. Of course that population must exist everywhere, and you think that population may be perhaps 1 per cent. in India?

Mr. Schele.—Or more; that depends again on the price.

President.—But for practical purposes you find that more or less so far as the general consumer is concerned he would buy either the Indian or the Swedish match whichever is cheaper?

Mr. Schele.—Yes, he would buy the cheapest even if the difference is comparatively small.

Mr. Mathias.—Do you attribute the fact that a considerable percentage of the population still buy Swedish matches to the fact that Indian matches have not been brought to the notice of the consumer?

Mr. Schele.—I should think so to a certain extent because the low prices we have for Indian matches to-day have been in force hardly a year. But apart from that imported matches partly consist of sulphur matches while there has been no sulphur matches made in India until quite recently in Bombay and consequently those who wanted sulphur matches were confined to imported.

Dr. Matthai.—Are they non-safety?

Mr. Schele.—They will, strike anywhere.

Mr. Mathias.—You mean a considerable proportion of the imported matches are sulphur?

Mr. Schele.—Yes, but they are now being made in greater and greater quantities in the Bombay factories.

Mr. Mathias.—Could you give us any idea of the proportion of other matches as compared with sulphur matches?

Mr. Schele.—Out of an import of 11 million gross, 2 million gross were sulphur, and you will notice that even when the imports went down to 7 millions sulphur was still 2 millions.

President.—Are they cheaper?

Mr. Schele.—No. They are slightly more expensive. What happens is this. They are used by the agricultural population and when they go out in the morning to the fields they take a box of matches and distribute the sticks amongst the family members and they can strike them on a stone and light them whenever they want it. If there are 10 people in a family it would ordinarily mean 10 boxes but if they have got a sulphur match they can distribute one box among 10.

President.—What is the difference in price?

Mr. Schele.—Practically the same but if anything sulphurs are one penny higher at present per gross.

President.—Do you contemplate making sulphur matches?

Mr. Schele.—That depends on what will happen in India.

President.—If nothing happened?

Mr. Schele.—I don't think we will make them.

Mr. Mathias.—If the opposition factories in India commenced making sulphur matches, you will also make them, is that the position?

Mr. Schele.—I don't think so. There is not enough profit in match making them in India.

President.—Don't you think if no sulphur matches came here the consumption of other matches may go up?

Mr. Schele.—The agricultural population will then have a grievance against the authorities because they like the sulphur matches.

President.—In Europe are they being used more and more?

Mr. Schele.—Very little except in France.

President.—We were told in Burma that there was a lot of prejudice in favour of Swedish matches, that is to say, a man would pay 12 to 14 annas more simply because they were Swedish matches. Do you agree with that statement?

Mr. Schele.—Burma is a market that is totally different from the rest of India as I have had occasion to point out to my head office. The only reason I can find for that is that first of all there is the heavy monsoon in Burma

which makes the other matches more or less unreliable, and then again the population in general prefers a better quality and are prepared to pay the price for it.

President.—One of the reasons for the prejudice was that matches made in Burma in the earlier days were very bad.

Mr. Schele.—That I don't think has anything to do with it. It is not the match as such that they buy. If they introduce a new label and the matches are good people will buy them. Burma has, however, a definite preference for Swedish matches.

Mr. Mathias.—Has it anything to do with the universal habit of smoking in Burma?

Mr. Schele.—I don't think so. You will find that the Burmese is very particular. He can afford to pay for a better article and is prepared to do so.

Mr. Mathias.—You mean he has got more expensive tastes not only in matches but in other things?

Mr. Schele.—That is so.

Dr. Matthai.—If we are to accept your view that there is no prejudice against Indian matches then in how many years' time, at the present rate, would the imported matches be entirely displaced by Indian made matches with the present duty?

Mr. Schele.—That is a very big question to answer. The impression I have is that in three years time, if matters remain just as they are, the import will probably be down to one million and that will be concentrated chiefly on Burma. I think Burma will be the last market to give up the imported match.

President.—It must very largely depend on the view the Swedish Match Company takes of the position. To-day, for instance, you can get your matches at Re. 1 per gross c.i.f. landed and it is sold in the market at Rs. 2-8-0 per gross full size. If you find that getting Re. 1 c.i.f. price pays you better than getting Re. 1-8-0 for your Indian made matches then you would still continue to bring those matches into the country?

Mr. Schele.—But how could we bring them in if there was no demand.

President.—You are importers. If you find manufacturing locally pays you better, then you yourselves take possession of the Indian market and foreign matches will cease to come?

Mr. Schele.—You cannot take possession of a market; you have to follow what the public wants. If the public wants imported matches and we stop our export we won't stop any matches from coming in, because they will get Norwegian, Japanese, Finnish or Chinese matches. We have to follow the ordinary laws of trade.

President.—You yourselves are manufacturing now about 4 million gross; that represents a quarter of the total consumption of the country and you import about 4 millions.

Mr. Schele.—Yes.

President.—That makes another 25 per cent., that is half the total consumption of the country. Now, if you find that it pays you better to manufacture more matches here, then you would manufacture more matches in the country and the Swedish matches would cease to come in. It will very largely depend, therefore, on what profits you can make on Swedish matches or on the Indian matches, and whichever pays you better you do.

Mr. Schele.—That necessitates that we control the market. At present we don't sell all what we manufacture. We have got tremendous stocks in the country. We cannot sell and we do not decide the price to-day. I have got a stock of about 13,000 cases at Ambarnath and I can't sell them because my price is higher than my competitors. I have got another 8,000 cases in Calcutta and 2,000 in Burma.

President.—Their complaint is, we do not know whether it is right or not, that you have been reducing your prices so they have been reducing theirs.

Mr. Schele.—It is very easy for the Tariff Board to find that it is not so. We can produce invoices.

Dr. Matthai.—Taking your figures and that of your Burma rivals, there is a difference of about a rupee between the price of imported and locally made matches. Supposing we adjust the tariff in such a way that the difference becomes Re. 1-8-0 and not Re. 1, would that hasten the disappearance of imported matches?

Mr. Schele.—Certainly.

Dr. Matthai.—You say without making any change in the tariff they would disappear in three years. If we did this, they might disappear almost immediately?

Mr. Schele.—Undoubtedly. Regarding that question about our stocks, it stands to reason that we have got heavy stocks because our prices are higher, considering that our sales organization is better than anybody else's.

Imported v. Indian made matches.

Dr. Matthai.—This difference that we have now got, As. 14 or Re. 1 you don't think that it really represents the difference in quality.

Mr. Schele.—No.

Dr. Matthai.—Very little as a matter of fact represents the difference in quality.

Mr. Schele.—Yes.

Dr. Matthai.—The whole of the difference is due to the fact that there are a large number of dealers in this country who have been dealing in imported matches and who might probably like to continue to deal in them. Their vested interests lie that way.

Mr. Schele.—I don't think so, because you find up-country dealers will have no interest at all. If they cannot obtain imported they sell Indian matches.

Dr. Matthai.—Therefore it is simply a question of India producing sufficient to displace the Swedish matches.

Mr. Schele.—At present India is producing too much.

Dr. Matthai.—In what way? Leaving out sulphur matches there is a market for 5 million gross of Swedish matches.

Mr. Schele.—Yes, but you must admit that you cannot alter the whole trade in one day.

Dr. Matthai.—You could not.

Mr. Schele.—The progress has been extraordinarily rapid if you take into consideration the few years in which it has been going on.

Dr. Matthai.—What do you mean by "India producing too much"?

Mr. Schele.—A vessel cannot hold more than a certain quantity of water. There is still in India some demand for Swedish matches. As Mr. Mathias said, perhaps, everybody doesn't know that there are cheap matches to be had. I think that there is a great deal of truth in that statement. If you go to certain parts of India, you will find that people are not aware of it on account of the deficiency in the selling organisations of local firms. At present 75 per cent. of the business is covered by Indian factories and only 25 per cent. is left for the Swedish and other matches. My contention is that this 75 per cent. of the trade is being covered or attempted to be covered to-day by a supply equal to 150 per cent. and the result is low rates for Indian matches.

Dr. Matthai.—Therefore as far as 4 or 5 million gross of Swedish matches are concerned, the imported matches and the corresponding locally-made matches work under the same sales organisation.

Mr. Schele.—Yes.

Dr. Matthai.—Therefore your argument does not really apply.

Mr. Schele.—It does, because we don't always offer local matches where we sell imported matches.

Dr. Matthai.—How do you draw the line?

Mr. Schele.—Where there is an active demand for imported matches, we only offer imported matches as far as it is possible. It has always been our idea that this protection was only a temporary feature and we were desirous of keeping our old trade marks going.

Dr. Matthai.—Where you find the people are prepared to pay a higher price, you don't sell your locally made matches.

Mr. Schele.—No, not until we are compelled to do so. Last year, for instance, in Madras there were no local matches whereas in Bombay 60 per cent. of the sales was local matches.

Mr. Mathias.—You would attribute this difference in price between the imported and the Indian matches really to the very severe competition which occurred in the last year or two between Indian made matches.

Mr. Schele.—I have to-day at Amarnath 13,131 cases of the value of Rs. 8½ lakhs; Calcutta 8,110 cases at Rs. 7 lakhs, Assam 484 cases, Mandalay 938 cases, Rangoon, 1,297 cases. I am keeping these stocks, because I cannot get rid of them. That again shows that there is overproduction in the market.

Dr. Matthai.—You cannot get rid of them in the face of local competition.

Mr. Schele.—Yes.

Dr. Matthai.—What you mean by overproduction is that Indian factories don't have a sales organisation adequate for their production. The factories which produce large quantities have not the sales organisation to push their matches in those parts of the country where local matches are not sold now.

Mr. Schele.—They are doing so now.

Dr. Matthai.—The moment they succeed this overproduction will disappear.

Mr. Schele.—If you could cover the whole country, it would disappear provided, of course, that most people bought local instead of imported matches.

President.—As regards the Japanese matches and yours, do the Japanese matches compare more favourably with the Indian matches?

Mr. Schele.—Do you mean that they are not as good as ours?

President.—Yes.

Mr. Schele.—Undoubtedly.

President.—I see from the figures that what has been happening is that Japanese matches are disappearing from the market. That would be owing to the competition partly from you and partly from the Indian manufacturers or is it entirely due to your competition?

Mr. Schele.—I think it is due to competition from our import as well as competition from the Indian manufacturers combined with our locally made matches.

President.—The Japanese matches have practically gone out.

Mr. Schele.—Yes, they have.

Dr. Matthai.—Do the Japanese matches sell at the same price as the Indian made matches in parts of the country that you know?

Mr. Schele.—No. If these were bought at all, they could not be sold at the same price as the Indian made matches, because they have to pay the duty.

Dr. Matthai.—Japanese matches are not superior in quality to Indian matches.

Mr. Schele.—They are superior to Indian matches, but they are inferior to Swedish matches.

Dr. Matthai.—What is the difference between the Swedish import price and the Japanese import price?

Mr. Schele.—Before they disappeared the difference was about As. 2 per gross.

Mr. Mathias.—Japanese matches fetch Rs. 2-4-0 a gross.

Mr. Schele.—I don't think there is any sale at all of $\frac{1}{4}$ size. In Burma they are practically sold at the same rates as Swedish.

Wood for splints.

President.—As regards raw materials for splints, you use entirely foreign wood.

Mr. Schele.—Yes, except in Assam, and Burma and for second quality, Calcutta and Bombay. We have made a few thousand cases of second quality out of salai.

President.—Do you sell the second quality as yours?

Mr. Schele.—Yes, at a lower rate.

President.—You don't think that that spoils the name of the first quality matches.

Mr. Schele.—No, as long as we clearly indicate to the consumer that that is second quality.

President.—He only looks at the labels.

Mr. Schele.—We don't put a trade mark on it. Labels for second quality we make without the trade mark 'Wimco.'

President.—He doesn't understand anything about 'Wimco.'

Mr. Schele.—That trade mark is very widely known.

President.—Does he know that that is first quality?

Mr. Schele.—At any rate that is what we wish him to know.

Mr. Mathias.—Do you have good sales for second quality?

Mr. Schele.—Yes.

President.—Your man sells these matches both first and second quality and he says to the consumer "Look here, the second quality is Indian made match." In that way the reputation of the Indian matches goes down and the reputation of your matches goes up.

Dr. Matthai.—It clears the field for imported matches.

Mr. Schele.—Then again if he doesn't sell Panpatty or our second quality, he will sell some other quality similar to the box of Panpatty you have just shown.

President.—You can easily spoil the reputation of the Indian matches. I don't say that you are actually doing it.

President.—As regards Bombay what is the position of the industry there? Must it always depend upon imported wood?

Mr. Schele.—That depends on the success of these dark matches which we are now making.

President.—First of all do all factories use imported wood in Bombay?

Mr. Schele.—Yes, I think they all depend on imported wood for splints.

President.—Supposing the country says that the Indian Match Industry should be established, why should the country not say then that these people who use Indian wood should have preference over those who use imported wood. You can say "all right, matches will be manufactured in Calcutta or Burma and exported to Bombay." Is there any chance of Bombay being able to supply wood as good as these (samples shown) sawbya or maulettanshe?

Mr. Schele.—No, not as good as those in appearance, but it is more economical to work Bombay wood than Burma wood.

Mr. Mathias.—Have you an ample supply of salai?

Mr. Schele.—No.

Mr. Mathias.—Do you import it from the Central Provinces?

Mr. Schele.—The railway freight would be too much. We go as far as Kandwa.

Mr. Mathias.—You can get salai from there.

Mr. Schele.—We get it.

Mr. Mathias.—There is no difficulty as regards railway freight from there.

Mr. Schele.—It is fairly high. That is in the uneconomical section for freights.

Mr. Mathias.—So far as actual supplies are concerned, there is no difficulty in getting all your requirements.

Mr. Schele.—We get it from contractors.

Mr. Mathias.—There is no difficulty in getting supplies from contractors.

Mr. Schele.—Last year we had difficulties, before we raised our prices. You know that the price of wood has gone up also in Burma. We may have to pay more next year.

Dr. Matthai.—This division from which you are now extracting Indian wood, how far is it from your Ambarnath factory?

Mr. Schele.—40 to 60 miles.

Dr. Matthai.—How exactly do you convey the wood to your factory?

Mr. Schele.—By cart and rail.

Dr. Matthai.—I find that you are expecting about 2,000 tons of wood from the Kolaba area every year.

Mr. Schele.—That is again one of those optimistic reports.

Dr. Matthai.—It is an official estimate.

Mr. Schele.—Yes.

President.—I want to draw your attention to the point that so long as you use imported Swedish wood in Bombay which costs you above Rs. 115, you are at a great disadvantage compared to Burma for instance where they get wood at about Rs. 40, so that the industry does appear at first sight to be badly located from that point of view.

Mr. Schele.—Yes, if you can get suitable wood in sufficient quantities in Burma. But that is not the case.

President.—At present Mr. Adamjee Dawood does not use any imported wood.

Mr. Schele.—I know.

President.—His wood he gets at Rs. 40 delivered at the factory.

Mr. Schele.—Is that also his price from the Andamans?

President.—That is his average price. When you read his evidence you will find that that is so. Compared to him, let us put it that way, all the factories in Bombay are at a great disadvantage.

Mr. Schele.—Yes, but then the working conditions in Burma are more difficult than in Bombay or Calcutta. I mean the labour efficiency in Burma is very low.

President.—That may be so. We have calculated it this way. We have taken Rs. 115 as the price of Aspen wood.

Mr. Schele.—The price of Japanese wood has gone up on account of a corner by the Bolsheviks.

President.—The wood that you get at Rs. 115, is that Swedish or Siberian?

Mr. Schele.—We get it from our own forests in the Baltic provinces.

President.—You use 20 c. ft. per 100 gross.

Mr. Schele.—Do you mean the local wood?

President.—No, but the Swedish wood.

Mr. Schele.—It will be much less.

President.—I think that you have given some figures but I cannot follow them. Anyhow we were told that the outturn from Aspen was 100 gross per 20 c. ft.

Mr. Schele.—I should say about 12 c. ft. per 50 gross.

President.—It comes to 24 c. ft. for 100 gross.

Mr. Schele.—Yes.

President.—You don't use Aspen for veneers.

Mr. Schele.—No. I would say about 7 c. ft. of Aspen for splints for 50 gross and 14 c. ft. of Indian wood for veneers for 50 gross.

President.—If you take Adamjee's cost as Rs. 40.

Mr. Schele.—I would expect it to be nearer Rs. 50.

President.—They have given all their costs and it works out at Rs. 40.

Mr. Schele.—Even from the Andamans!

President.—Yes. If you take it at Rs. 40, it comes to Rs. 11.1 and your cost will be Rs. 16.1, the difference being Rs. 5 for 50 gross. That is about 1½ annas per gross.

Mr. Schele.—We get that back in the higher price of course.

President.—You get a higher price for your matches.

Mr. Schele.—Aspen sticks sell at a higher price.

Dr. Matthai.—You get two or three annas extra.

Mr. Schele.—Yes.

For veneers.

President.—That is as regards splints. Now as regards veneers, for the Indian wood that you use, I don't think that you have given us the price.

Mr. Schele.—Yes. I have given the prices for different markets—Please see our reply to question 19.

President.—As regards veneers there is nothing to talk about as between yourselves and Burma.

Mr. Schele.—No. The cost given is what it costs us at the factory at Ambarnath. An important point is that we have a right to reject unsuitable logs. We only pay for what we pass.

President.—There you have an advantage.

Mr. Schele.—Yes.

Dr. Matthai.—Is that so at Ambarnath?

Mr. Schele.—Yes.

Dr. Matthai.—Is that the case in Calcutta too?

Mr. Schele.—No. Here the timber trade is quite different. The wood arrives in boats from Sundarbans and we buy in boat loads.

Dr. Matthai.—Do you do the felling yourselves in Burma and Bombay?

Mr. Schele.—We do it to a small extent but the bulk of our supplies we obtain from contractors. They undertake to deliver at Ambarnath subject to our acceptance. Sometimes we have to reject even full wagon loads.

Dr. Matthai.—If you get your supplies of wood from contractors you would have the right to reject any unsuitable wood.

Mr. Schele.—Yes, in certain instances the rejection is done in the forests to save the freight. As it is now they have to incur the railway freight also on logs which will subsequently be rejected.

Dr. Matthai.—As far as you are concerned the wood is delivered at the factory and the rejection also is done there.

Mr. Schele.—Yes.

President.—Do you have many rejections?

Mr. Schele.—Yes.

Mr. Matthias.—What happens to the rejections?

Mr. Schele.—The contractors have to remove them.

President.—You have been fortunate if you have got such contractors.

Mr. Schele.—The method I have explained is necessary. If we don't insist on that, we may sometimes get wood which is unworkable. That is what happens in Burma.

President.—These rates that you have given in Appendix I are they recent rates?

Mr. Schele.—Yes, they are the latest rates.

President.—Has there been much fluctuation as regards Aspen.

Mr. Schele.—Yes. The Japanese Aspen is going up mainly because of the exchange and the Swedish has gone down.

President.—How much has it gone down?

Mr. Schele.—Nearly 50 per cent.

President.—Do you think that the Swedish prices will remain at that level or will they go up again?

Mr. Schele.—I should say that they are at the lowest level now.

President.—Is this from your own forests?

Mr. Schele.—Yes, but if we want we can buy from outside. In that case we would probably have to pay Rs. 10 more per ton.

President.—Supposing anybody else wanted to buy?

Mr. Schele.—I think that he would probably have to pay some ten rupees more.

President.—Is this wood grown in Sweden itself or is it simply called Swedish wood?

Mr. Schele.—Part of it comes from Sweden itself and the rest comes from Finland and the Baltic provinces.

President.—The Baltic provinces are under whom?

Mr. Schele.—They are independent.

President.—Have you got forests in the Baltic provinces?

Mr. Schele.—Yes.

President.—When you import wood, do you get it from the Baltic provinces?

Mr. Schele.—Either from the Baltic provinces or from Sweden.

President.—Has Sweden itself got a large stock?

Mr. Schele.—Yes, a fairly large stock. Sweden is as you know one of the timber suppliers of the world.

President.—Which is the season?

Mr. Schele.—Now is the beginning of the shipping season.

President.—What I wish to know is do these trees grow naturally there or have they to be planted?

Mr. Schele.—They grow naturally.

President.—There is no plantation.

Mr. Schele.—No. We have tried plantation but it was not a success. It was too costly.

President.—How long does it take to regenerate?

Mr. Schele.—If you plant them, it would take about 30 to 40 years.

President.—But if you depended on natural regeneration?

Mr. Schele.—It comes to the same thing.

Dr. Matthai.—You can hasten the growth if you plant them?

Mr. Schele.—In what way?

Dr. Matthai.—The theory of the Forest Department is that in the case of artificial plantation, by planting trees at a certain distance from one another, it might be possible to remove obstacles that you have in natural growth.

Mr. Schele.—That is rather theoretical. I have never heard of it.

Dr. Matthai.—One has heard it said that if a tree under natural conditions would reach maturity in 40 years, you can get the same tree to reach maturity under artificial conditions say in 25 years.

Mr. Schele.—That is a point I do not know anything about.

President.—What is your opinion as regards natural supplies? Is there any truth in the statement that is sometimes made that the natural supplies are getting short?

Mr. Schele.—That is also very difficult to say. From my own experience I can say that it looks as if we have got to go further and further away for our supplies. It is the same in Burma.

Organisation for selecting and testing varieties of wood.

President.—I want to know a little more about your organization for testing wood. So far, I think, you have only four kinds that you have been using. What is this *Machilus*?

Mr. Schele.—This is a species we have discovered in Assam.

President.—Have you made any experiments with other kinds of Indian trees?

Mr. Schele.—Yes, and we selected these four.

Dr. Matthai.—Have you experimented on what they call in Burma *homeza*?

Mr. Schele.—I have not heard of this species on the Bombay side.

Dr. Matthai.—On the Bombay side among the woods that you have experimented with, I see that the species which they call *homeza* in Burma finds a place. How did you find that?

Mr. Schele.—The fact that it is not being used apparently indicates that it was rejected after experiment. I think that that species was one of those with which we made experiments and found very good but subsequently could not obtain supplies.

Mr. Mathias.—So that some of the woods that you turned down was because they were not available in large quantities?

Mr. Schele.—Yes.

Mr. Mathias.—We had evidence that *homeza* was fairly common in Burma?

President.—Do you consider it a good wood?

Mr. Schele.—I cannot say, but the fact that it is not being used rather indicates that there is something wrong somewhere.

President.—Are you still carrying on this research as regards wood on the Bombay side?

Mr. Schele.—Yes.

President.—What sort of machinery have you for research work?

Mr. Schele.—We use our ordinary machines.

President.—Who selects the wood for you?

Mr. Schele.—We get it from our departmental felling agents. Some of them are retired forest officers.

President.—Are they Indian officers or are they Swedes?

Mr. Schele.—One is Indian who was in the forest department and another is a man with practical experience of forest working in India for many years. As they are working the forests they come across new species, which they send to us as samples. We then test it in the factory. When we first started we received wood samples from the Andamans, from the forest department in Bareilly, from South India, etc., etc., and tested them in the factory.

President.—We will examine the forest authorities when we go to Bombay, but from your experiments it does not seem to me that the result is very encouraging. Have you any personal experience about plantation?

Mr. Schele.—Not in India.

President.—Have you any experience of plantation at home?

Mr. Schele.—As far as aspen is concerned I think it grows cheaper on its own and apparently there are so many additional expenses in planting, fencing in, supervision, cost of land, that it becomes prohibitive.

Dr. Matthai.—The real point would be that the question of plantation would depend on the natural advantages of the particular country?

Mr. Schele.—Yes.

President.—Have you personal experience of the forests at home?

Mr. Schels.—Yes, though not as an expert.

Extraction of timber.

President.—You have a regular establishment for felling and extracting?

Mr. Schels.—We have a man on the spot who works with the contractors and we find that the most economical arrangement.

President.—Are these logs always floated?

Mr. Schels.—They are both floated and dragged to the railway.

President.—How do you have the dragging done there?

Mr. Schels.—By sleigh. The entire timber felling is confined to the winter.

President.—What happens in summer?

Mr. Schels.—We don't fell any timber.

President.—It is like Burma; they fell in the monsoon and they do not fell in the dry months.

Mr. Schels.—But it is the reverse in India. They do not fell in the monsoon, they do it in the dry weather.

President.—When you have snow the streams must be frozen too?

Mr. Schels.—They take the logs down to the streams and when the ice breaks up they start floating.

President.—What would be the furthest distance from the wood to the sea?

Mr. Schels.—I cannot say offhand. The logs just slide down on the snow and lie on the river and then when the ice melts they go down into the water automatically.

Mr. Mathias.—In answer to question 21 you say "The impossibility of obtaining an even quality as soon as the timber is required in appreciable quantities can be described as one of our main difficulties with Indian timber. We have discussed this with the forest officers on various occasions and will supply further particulars verbally as indicated under question 12." Apart from the difficulties pointed out are there any other difficulties in the Indian wood which would make it unsuitable for match manufacture?

Mr. Schels.—Yes.

Mr. Mathias.—You say "It is hardly possible to contain our findings which are based on experience at all our factories, within the frame of this report" and say you would give the information when you come to the Tariff Board.

Mr. Schels.—I made that statement mainly because there was very little time at my disposal. You very often find that the log is soft on one side and hard on the other and the result is that the knife is damaged or the peeling very uneven, another difficulty is that the core is not in the middle and that is particularly common in Burma.

Dr. Matthai.—In a tree like bomeza how much do you reject as heart wood?

Mr. Schels.—We come down to 3 inches.

President.—You buy most of the Indian wood more or less from contractors now and you have given up departmental working practically, have you not?

Mr. Schels.—We have the establishment and keep our men in case we need to develop it, but there is no doubt that it pays better to have the work done by contractors.

President.—You don't find it difficult to get all the wood you require in this way?

Mr. Schels.—It has been all right so far in Bombay, but in Burma there has been some difficulty this year and we may have to import aspen to fill up the gap. The trouble is that we cannot get enough sawbya.

Timber supplies in Bombay.

President.—In Bombay you don't use any Indian wood except salai and you use a very small percentage of that. I don't think you have given us the exact quantity of salai you would use.

Mr. Schele.—With our present manufacturing programme I would say 10 per cent.

President.—Are you using it simply for experimental purposes?

Mr. Schele.—Yes, to see how the market will take it.

President.—Do other Indian factories use salai?

Mr. Schele.—I believe we are the only ones who use local wood and others use aspen.

Mr. Mathias.—Supposing owing to a higher duty the cost of aspen was increased to the factories in Bombay and import thereby prevented, would the use of local wood increase at Bombay.

Mr. Schele.—I don't think so.

Mr. Mathias.—You think competition will force prices up?

Mr. Schele.—Yes.

President.—You have made no arrangements at all for the supply of wood for splints. Supposing a very heavy duty was put on the imported wood, then have you got an alternative?

Mr. Schele.—No. This is all we have found out. We have been working for the last three years to obtain suitable Indian wood and this is the best we have found.

President.—What I want to know is have you got any control over any area from which you can get this salai wood?

Mr. Schele.—No, first of all because Government has not allowed anybody to get a concession for the last year or so. In the Bombay territory areas must be put up for tender and we are not going to tender because it would only increase the prices and nobody else has done it either.

President.—Have you made any estimate of the quantities of this wood that you can get economically?

Mr. Schele.—It is very difficult to do that. I don't think even the forest department can say. Even now our supplies are spread over such a wide area.

President.—You know the conditions laid down by the Fiscal Commission as regards raw materials. If we came to the conclusion that a case had been made out for the protection of the Match Industry and if we insisted that only Indian wood should be used, what is the position of the manufacturer of matches in Bombay.

Mr. Schele.—It is very difficult to reply to this question, because it must to a certain extent be guess work, but I think the Bombay factories would have to close down.

President.—The Bombay factories will have to close down and you may shift your factory to other parts of India where you can get the wood.

Mr. Schele.—If we found that it was worth while, otherwise we would give up India altogether, because there is very little profit in match manufacturing here.

Dr. Matthai.—Have you made a survey of all the accessible areas in Bombay?

Mr. Schele.—No, I don't see how it could be done. It would have cost a couple of lakhs and we are not prepared to spend that amount. We have surveyed areas all round Bombay and we have found that we could not rely even on the estimates of our own people. They were too optimistic. We had for instance an area at Nasik. We sent a man up there to inspect and he told us that there was a tremendous supply of match wood. We negotiated with the Conservator of Forests for nearly a year for a concession.

and when we received the concession and commenced to work, we could not get more than a couple of 100 trees out of the whole area.

Bengal.

President.—Then as regards Bengal, you tried this one kind of wood genwa and that you bought it through contractors.

Mr. Schele.—I would hardly call them contractors. It is a very big trade in Calcutta. I believe it has been going on for years and years. These men who own their own boats go down to Sunderbans, fill up the boats with logs, come back to Calcutta and sell them here to what they call Aratdars who finance them.

President.—How does the boatman get the log? Has he got any arrangement with the forest department?

Mr. Schele.—He pays, I think, a certain toll per boat to the forest department.

President.—Anybody can cut the wood.

Mr. Schele.—I understand that these boatmen would not allow any outsider.

President.—This is very funny. Do you mean to say these people have a sort of monopoly in these forests?

Mr. Schele.—Yes, in the delta area.

Mr. Mathias.—Is Genwa the most common tree?

Mr. Schele.—That is the only tree so far as I know.

President.—It is the only tree that grows there. There must be very large quantities, I suppose.

Mr. Schele.—Yes, but I received a report in 1925 which stated that in 1926 there would not be anything left, but now we are in 1927 and we are still getting supplies.

President.—Have you ascertained what supplies are available as regards the future?

Mr. Schele.—There again if we do these surveys on our own, our overhead charges would go up. We have already spent over one lakh on forest research. I understand that Mr. Shebbeare is now the Conservator of Forests for that division. He can give you a very detailed report. I saw Mr. Shebbeare in 1925 about this matter and we discussed it at length.

President.—The forest officers that have appeared before us aren't as optimistic as you have been describing about this wood. You said in Bombay they gave you some optimistic estimate.

Mr. Schele.—No, those were from our own forest men. I cannot blame the Forest Department for giving any wrong information. What they did in the Sunderbans was to divide the area into certain sections and prohibit felling in certain sections. They tried to arrange a kind of rotation. My report states:—"It takes from 9 to 15 years for a tree to grow from 2 feet girth to 3 feet girth or say an average of 12 years. The present rate of cutting would give you a supply for three years." That was in February, 1924.

President.—Supposing when this is exhausted, what would you do, as regards Calcutta?

Mr. Schele.—I think we would have to use aspen.

Andamans.

Mr. Mathias.—Would you not import sawhya from the Andamans?

Mr. Schele.—Yes, of course if it paid. If we could get wood from the Andamans, we would do so. I have been in touch with the forest authorities in the Andamans since May, 1925, but I have never been able to get any wood from the Andamans. On the 7th September, 1926, they quote for papita Rs. 60 c.i.f. Bombay and Rs. 70 for the other species.

Mr. Mathias.—If you get it at Rs. 60 c.i.f. Bombay, that would be a good proposition. It would pay no duty.

Mr. Schele.—No. Do you mean as a substitute for Aspen?

Mr. Mathias.—There will be no difficulty as regards supplies.

Mr. Schele.—That is what they say.

Dr. Matthai.—At that time against a price of Rs. 115 for aspen you decided that sawbys wasn't a tree worth while getting from the Andamans at Rs. 60.

Mr. Schele.—Yes. We get a higher price for aspen sticks. The actual difference is Rs. 5 in the working, i.e., As. 1-6 per gross. The price of Rs. 115 is what it costs us at the factory. Whereas on this Andaman timber we must pay the landing cost at Bombay and the railway freight from Bombay to the factory at Ambernath.

Dr. Matthai.—Would that be Rs. 10?

Mr. Schele.—Yes. Then of course we would have to keep a man at Andamans to select the wood and that would mean further cost.

Mr. Mathias.—If there was a duty put on imported aspen, it would be possible on the supposition that in the Andamans there are inexhaustible supplies for factories in Bombay to draw their supplies from there.

Mr. Schele.—Provided we get quick shipments. That seems to be the main difficulty with the Andamans. The Forest Officer says:

“There is no direct sailing to Bombay and unless there was a sufficiently large order to warrant the chartering of a special ship, transshipment would be necessary either at Rangoon or Calcutta, to which ports we have regular sailings.

Mr. Mathias.—That would wash out the question of supply, would it not?

Mr. Schele.—It has taken them a year to get the freight on the basis of which he quoted Rs. 60.

Assam.

President.—As regards Assam too, your position does not seem to be very satisfactory. You have got your own concession there.

Mr. Schele.—Yes, but we have given that up.

President.—Because you could not float the logs.

Mr. Schele.—We paid a monopoly fee to the Government of Assam and in order to justify the monopoly, we thought of sending down the wood to Calcutta and selling it there in order to bring down our overhead charges, but we found that it didn't work.

President.—Was not there a sufficient quantity?

Mr. Schele.—That was also a difficulty. The timber was too scattered.

President.—How many tons a year would you get from the concession that you got in Assam? Did you make an estimate?

Mr. Schele.—If you make an estimate only, you get very high figures, but the difficulties of extraction are nearly insurmountable.

President.—Is it due to lack of labour or communications?

Mr. Schele.—Yes, very dense jungle, damp climate and wild animals. Numbers of our buffaloes were killed by tigers.

President.—You have given that up and now you buy them from contractors.

Mr. Schele.—Yes.

Mr. Mathias.—You pay the royalty for extraction.

Mr. Schele.—Yes.

President.—You had a concession for 15 years.

Mr. Schele.—No, one year with one year's option. We didn't avail ourselves of the option. Now we extract on an ordinary permit system.

Dr. Matthai.—You pay so much per tree when you cut it down.

Mr. Schele.—Yes. We discovered these forests and decided to place our factory at Dhulri. Naturally we didn't want our competitors to benefit by our labour and expense. That is why we applied for a monopoly. Now we found that nobody can work these forests, so we have just left the monopoly off.

President.—There is just this one kind of wood.

Mr. Schele.—You get the bombax there very much and machilus. Then you get other species, but they are too much scattered.

President.—What sort of splints do they make?

Mr. Schele.—Fairly good and strong. but rather reddish.

Dr. Matthai.—Better than genwa.

Mr. Schele.—I should say in texture, but not in colour.

President.—Can you send us samples of these?

Mr. Schele.—Yes.

President.—You say that you get some supplies of mango. Is it an ordinary mango?

Mr. Schele.—We thought it was, but it was not.

President.—What kind of mango?

Mr. Schele.—Mango as a rule is white. We thought we would be able to make white sticks. So we made a contract at Rs. 57 per ton delivered at Ambernath. When we received it, it was red.

President.—Have you given that up?

Mr. Schele.—Not only was it red, but also it was twisted in growth.

President.—You have a concession.

Mr. Schele.—I have given you a copy of the concession.

President.—You don't propose to work.

Mr. Schele.—No, it costs too much.

President.—Ernakulam is the only part on that side where you get these case boards.

Mr. Schels.—Yes.

Dr. Matthai.—Why do you go so far as Ernakulam for case boards?

Mr. Schele.—Their quotations are cheaper than anybody else's.

Continued on Thursday, the 14th April 1927.

Introductory.

Mr. Schele.—Before you proceed, may I say a word? I forgot to mention yesterday a very important point in connection with the question of having a separate splint factory, and that is the fuel question. As you know, fuel in a match factory is entirely derived from the peeling department. If you have a separate splint factory, you will have no fuel at your match factory and I daresay that that is one of the main reasons against having any separate factory for splints.

President.—I think that it would be much better if you could give us a note on that.

Mr. Schele.—I shall do so.

Dr. Matthai.—The question of fuel is one of very little importance to a match factory. If you take the cost of fuel, you will find that the proportion of that to the rest of your cost is very small.

Mr. Schele.—Not if you require fuel for steam. I should say that the cost of fuel in a factory like ours at Ambernath would be about Rs. 300 a day.

Dr. Matthai.—You say that it is one of the important points.

Mr. Schele.—Yes, in connection with the question of having a separate factory for splints. It means a little more than half an anna per gross.

Dr. Matthai.—The difference arising out of the difficulty of labour and the difficulty of dividing your overhead charges might be greater.

Mr. Schele.—It is a feature which I entirely overlooked yesterday. It just struck me this morning.

President.—I am going to propose this. I do not know whether you would allow that to be done in your factory. The sample business is rather tricky.

Mr. Schele.—It is.

President.—I am going to make arrangements whereby some forest officer or somebody would go to a factory without any notice and ask for three or four boxes periodically. Will your factory allow that?

Mr. Schele.—Certainly.

President.—So far as Burma is concerned, we shall write to the forest officers there and ask them to do that for us because they know what we want. My idea is that they will go there without any notice and take two or three boxes at random. If I were to ask you to send me, I could rely on your sending me.

Mr. Schele.—It is difficult to rely upon factory samples as a rule.

President.—Because each factory will be careful about its own reputation.

Mr. Schele.—It is in the interests of the factory to show a better quality.

President.—Would you give orders to your factories?

Mr. Schele.—The person whom you will depute for this purpose must have a pass and I shall issue it in his name.

President.—There is one point I forgot to ask you about wood. As regards girth, what is the average girth of Aspen?

Mr. Schele.—About 30 or 32 inches.

President.—That is very small, and you work it down to how many?

Mr. Schele.—3 inches.

President.—As regards Indian wood, what can you do?

Mr. Schele.—We can do anything as long as the trees are all right. As you know, the bigger trees are not so good as smaller trees.

President.—Mr. Adamjee has got an arrangement by which he gets logs of 5 ft. girth. I was wondering whether he could not do, say, with 4 ft. which would give him a much larger quantity.

Mr. Mathias.—Are the hearts of the bigger trees also bigger in proportion?

Mr. Schele.—Yes.

Mr. Mathias.—I noticed in going round the factories at Rangoon that the core which was left behind was sometimes as much as 1 ft. in diameter.

Mr. Schele.—That was from a big tree. That is why I say that only if one finds that the big trees are all right, does one provide for a big machine.

Mr. Mathias.—So, taking into account the large core which is left from a big tree, it may be that a small tree is more profitable to work than a big tree.

Mr. Schele.—Yes, that is why a Calcutta factory is more economical than a Burma factory. All the trees here are much smaller in girth.

President.—Yesterday you told us that you would require 7 c.ft. of Aspen for 100 gross of boxes.

Mr. Schele.—For 50 gross.

Dr. Matthai.—As regards Aspen wood, you say that the diameter will be about 10 inches, if the girth is 33 inches. Out of that, 3 inches diameter would be lost as heartwood.

Mr. Schele.—Yes.

Dr. Matthai.—What about the first two inches just on the layer? Would that have to be shaved off?

Mr. Schele.—That depends on the shape of the log. The rounder the log is, the sooner we start obtaining veneers.

Dr. Matthai.—We were told that a diameter of about 2 inches would be wasted as shavings.

Mr. Schele.—That depends on the shape of the log.

Dr. Matthai.—Could you make a general statement that there is less risk of so much being wasted as shavings in imported Aspen wood?

Mr. Schele.—I cannot say exactly how much is wasted in Aspen because it varies so much, but I know the total waste.

Dr. Matthai.—The fact that you work down to 3 inches, does that depend partly on the machinery and partly on wood or does that depend entirely on the sort of wood?

Mr. Schele.—That is a technical difficulty.

Dr. Matthai.—What about your machinery at Ambernath? If the wood were suitable you could work down to even a smaller diameter.

Mr. Schele.—No, we can't do that.

OTHER RAW MATERIALS.

Chemicals.

President.—You don't wish to give us the exact quantity of chemicals used for 100 gross of boxes. Would you have any objection to giving us the total? I don't wish to know what quantities you used of particular chemicals.

Mr. Schele.—But then if you divide that by our production you will know it.

President.—I don't want to know anything in detail.

Mr. Schele.—Even then, it would be a very good guidance.

President.—Is it such a secret?

Mr. Schele.—Yes, it is a great secret in match-making.

President.—In so many text-books, prospectuses, etc., we have seen the approximate amount given.

Mr. Schele.—It varies, that is where experience comes in.

President.—I would not be able to get any definite idea if you just told me the total.

Mr. Schele.—What do you want to find out?

President.—In this case we have got to make some approximate estimate of the cost of making matches out of Indian wood.

Mr. Schele.—As far as wood is concerned, we worked out the cost yesterday.

President.—It would be to interests in this case to supply us with this information for this reason that supposing we are satisfied that matches ought to be manufactured in this country, we should have no alternative left except to give them more protection if their costs are high; whereas if we are satisfied that the costs ought to be lower, then we will have something to go upon. I am putting it from your own point of view. I do not wish to know anything of your formula.

Mr. Schele.—I think that other manufacturers will give you that.

President.—How can we know that those costs are not too high.

Mr. Schele.—Look at their selling price. Is it likely that everybody would be selling at a loss.

Dr. Matthai.—At a time of very intense competition that often happens.

President.—A man like Adamjee may do.

Mr. Schele.—He is doing so.

President.—Supposing we went on his costs.

Mr. Schele.—His costs are higher than anybody else's. I can go as far as to tell you what the rumour is about the cost prices. I have some idea of what the cost prices of Indian factories are.

President.—That is not the point. The point is what ought to be the cost. What we do is this that we don't encourage any inefficient industries. That is one of our principles. Supposing their costs are Rs. 2 and your costs are Rs. 1-8-0, then the argument is that their costs should go down to Rs. 1-8-0 or a little higher and they would have protection based on Rs. 2.

Dr. Matthai.—We might get facts from other people. But here you are the most experienced people working with the most up-to-date machinery and your costs will be a sort of standard.

Mr. Mathias.—Would it not be possible for you to give in a lump the cost of chemicals.

Mr. Schele.—We don't like to give it at the present juncture. But I think that I can give you some guidance by showing you our selling prices which are based on the principle of not selling at a loss. If you take our prices you will find that they have been reduced as our cost of production has been reduced. When we have come to rock bottom, we have simply accumulated stocks instead of reducing further.

President.—It all depends on what you call loss. Supposing you do not take depreciation into account.....

Mr. Schele.—The only thing we don't take into consideration is a dividend. Otherwise in our cost accounts every conceivable item is included. There is nothing that we overlook.

President.—I should like to draw your attention to this. Adamjee's costs are not confidential. You have not seen them. They come to Rs. 1-6-0. I may tell you what his costs do not include. They do not include the commission paid to his agents; they do not include depreciation and profits. They are simply works costs.

Mr. Schele.—That shows obviously that he is selling at a loss.

President.—He is not selling at a loss. He is selling at Rs. 1-8.

Mr. Schele.—That is without depreciation.

President.—The price of Rs. 1-8-0 is for both half size and full size.

Mr. Schele.—Half size he sells at Rs. 1-4-0 in Madras. That is really the kind of factory that is causing the present trouble in the market.

President.—What is he to do?

Mr. Schele.—Why does he extend his factory? If everybody has an ambition to cover 100 per cent. of the market what would happen.

Dr. Matthai.—This is his cost for 1925-26. His present price of Re. 1-8-0 is a little bit lower than the price of last year.

President.—Supposing we came to the conclusion that these costs were correct and reasonable and we also came to the conclusion at the same time that the industry ought to be established and then if we found that Rs. 1-8-0 was not sufficient.....

Mr. Schele.—I am inclined to think that that is the correct cost price.

President.—My point is this that if your costs are lower, his costs ought to be lower.

Mr. Schele.—I can say this much that the costs of factories in Calcutta and Bombay are lower probably by three to four annas compared with Burma. The best factory in Calcutta is Esavi and the best in Bombay as far as I know is Andheri as far as costs go.

President.—Which is the best one?

Mr. Schele.—Esavi is the best.

Dr. Matthai.—What is their output?

Mr. Schele.—5,000 gross a day.

Mr. Mathias.—Where is it situated?

Mr. Schele.—They have two factories; the main factory is just beyond our factory.

President.—Of course we shall examine them. You don't wish to give any indication of your own costs, but you ought to have the lowest cost.

Mr. Schele.—I do not think so, Mr. President. I think ultimately we will have the lowest cost, but in the beginning we have been handicapped by the labour problem. We are a foreign company and our staff is unfamiliar with Indian conditions and labour. Many of our workmen do not remain with us for long; many leave us as soon as they have been trained. Take Esavi for instance. All their foremen are co-religionists or perhaps related. They all come from Surat. They are tied to the proprietors of the Esavi Match Company with bonds of religion and otherwise. We come here as pioneers and everybody wants to take advantage of our inexperience as foreigners to the country.

President.—You have more experience undoubtedly; you have the best machinery?

Mr. Schele.—We sell our machinery to the Indian factories.

President.—When you were equipping yourselves here you would naturally have the best?

Mr. Schele.—Esavi have got a lot of our machines. As far as equipment goes their machines bought from us are just as good as ours.

Mr. Mathias.—You get your machinery at cost price?

Mr. Schele.—We pay the same price as everybody else.

President.—I find in your chemicals also your rates are slightly lower than Adamjee's. You have an advantage there.

Mr. Schele.—We take better advantage of the market fluctuation and therefore we ought to have slightly lower rates.

President.—Is it because you buy in very large quantities? Some of the chemicals you may be making yourselves?

Mr. Schele.—Yes.

President.—You have got a better organization than these people and therefore your costs should be lower?

Mr. Schele.—It is very easy to say. I can say as much as this that cost of production in India is lower than in Burma and I also say that the course of our selling prices rather correspond to the development in our cost prices. We are limited liability companies, our accounts are audited, our accounts are sent to the income-tax officers and they know what profit we are making.

President.—You don't make any full size at all in Bombay?

Mr. Schele.—No.

President.—I think you told us yesterday regarding the conversion figure from half size into full size.

Mr. Schele.—As far as costs went, if you take half as 100 then 142 is the cost of full size and I think it is fairly accurate. Then there is another thing. In the Bombay factories they made tremendous profits in the beginning when they imported the empty boxes and sticks and only put the dips on and these profits were used to write off the entire block value of their factories. They have not got to take these values into account any longer.

President.—We do not wish to go by any exceptional circumstances.

Mr. Schele.—After all it means that in their case they have nothing to depreciate.

President.—If he does not depreciate we cannot expect everybody else to do the same. What I say is that if your costs are maintained in the proper way then your costs are a fair indication of what they ought to be. Obviously according to this, if Messrs. Adamjee Hajeer Dawood and Company are selling at Rs. 1-8-0 and Rs. 1-9-0 and you are also selling at Rs. 1-8-0, and your cost is Rs. 1-8-0, it is lower than yours?

Mr. Schele.—Our figure includes depreciation and everything and it is only for full size; his is the average of full and half size. That makes all the difference, that is 42 per cent. between the two sizes.

President.—He has not given us separate figures.

Mr. Schele.—He cannot give them; he has not got proper costing accounts.

President.—I have not yet had time to compare your c.i.f. prices of raw materials but at first sight they do appear to be slightly lower than Adamjee's. Are they your latest prices?

Mr. Schele.—Absolutely latest. There has been a tremendous reduction in the price of phosphorus for one thing; one year ago it was £225 a ton and to-day it is £175 that is a reduction of £50 per ton and these are our latest invoice prices.

Dr. Matthai.—Is it a sort of speculative price?

Mr. Schele.—It is not so but there is severe competition now between manufacturers in Europe.

President.—Take this phosphorus; that includes 15 per cent. duty, does it?

Mr. Schele.—Yes.

President.—There is a slight difference between your price and Adamjee's in most of these articles. That is due I think to the fact that he has given the invoice amount, and exchange, customs duty, landing charges, etc., whereas you have given only the c.i.f. price.

Mr. Schele.—Yes. Of course the duty is the same, and other charges are not very different.

President.—But I do see that your prices are lower than theirs in most cases. You have a large control over these chemicals, that is the reason. Do you buy your chemicals in your accounts with your subsidiary companies for chemicals and so on?

Mr. Schele.—We buy certain chemicals through the head office and some chemicals we buy independently.

Dr. Matthai.—Take antimony sulphide, for instance. Your price is £5-5-0 per 100 kilo and Adamjee's is £4.

Mr. Schele.—The open market in India is lower to-day than our contract prices; that is the disadvantage of big contracts. We make a contract at the beginning of the year and we have to stick to it. For instance you can buy chlorate of potash in Calcutta to-day at £27-10-0.

President.—Are any of these chemicals controlled by the Swedish Match Company?

Mr. Schele.—These are ordinary chemicals used in ordinary trade all over the world.

President.—Are there any chemicals here which are controlled by the Swedish Match Company?

Mr. Schele.—No.

Dr. Matthai.—When you mention Sweden as the country of origin for particular chemicals, do you mean Sweden produces these?

Mr. Schele.—We make them ourselves.

Dr. Matthai.—Your company or the Swedes?

Mr. Schele.—Chiefly our own company. Chlorate of potash we make ourselves.

President.—This phosphorus, is it produced in Great Britain or in France?

Mr. Schele.—Great Britain, France, Germany, Sweden, Norway.

President.—Is amorphous phosphorus chiefly used for the manufacture of matches?

Mr. Schele.—I don't know of any other industry which uses it.

President.—Are there any others in this list exclusively used for match industry and nothing else?

Mr. Schele.—No.

President.—Do you require it in large quantities?

Mr. Schele.—We require about 1 lb. for the full size and $\frac{1}{2}$ lb. for the half size per case of 50 gross.

President.—The question arises only in connection with the duty on raw materials and if there are some raw materials which are only used for matches we may like to consider it, but if it makes a very little difference then it is not worth while considering it.

Mr. Schele.—Take amorphous phosphorus for instance at 1s. 6d. per lb. that is Re. 1. Even 100 per cent. duty would mean only one rupee extra for 50 gross. At the same time you cannot make matches without amorphous phosphorus.

President.—Are these articles subject to duty in Sweden?

Mr. Schele.—I cannot say. I don't know if we have a duty on chemicals, but I can obtain that information for you.

President.—Roughly it comes to between 3 and 4 annas for chemicals and paper and so on per 50 gross. If you take 15 per cent. of that, it is about half an anna that is added to the cost. If you have no duty in your country you have an advantage of half an anna assuming that is what is added to the cost.

Mr. Schele.—That is so.

Mr. Mathias.—Some of these chemicals could be obtained in India could they not?

Mr. Schele.—It is very difficult to obtain a satisfactory quality.

Dr. Matthai.—Don't you find the paraffin in India satisfactory?

Mr. Schele.—The Indian oil companies do not seem to be able to give the melting point required.

President.—Even if you got them locally I don't think that would make any difference about the price because it would be regulated by arrangement between the companies themselves.

Mr. Mathias.—What about red ochre?

Mr. Schele.—That is a very small quantity but there again it is very important to have a very good quality.

President.—The next biggest item is glue.

Mr. Schele.—No. Paraffin and chlorate of potash are the biggest items in the match making process.

President.—Have you got zinc sheets for packing: That seems to be the biggest item?

Mr. Mathias.—The cost of zinc sheet is fairly high. You have given it as £4-10-9 per 100 kilos. It comes to nearly how much per ton.

Mr. Schele.—£45 a ton.

Timber.

Dr. Matthai.—There is just a small point. The amount of wood that goes into splints, if you take a box, is about the same as the amount of wood that goes into the rest of the box.

Mr. Schele.—In the ordinary way you need more wood of course for splints than for boxes.

Dr. Matthai.—If you look at the figures in answer to questions 13, 14 and 15, I thought your figures were based on the assumption that equal quantities of wood were required for both splints and veneers.

Mr. Schele.—As regards Indian wood we have to make a careful selection for box veneers. I have gone into that question particularly. When I wrote this out first, I put a slightly higher figure for splints. Then I went through all the figures again at the factory and found the quantities to be equal.

Dr. Matthai.—What it comes to is this that the amount of wood in the log that goes into splints is the same as the amount of wood that goes to the rest of the box.

Mr. Schele.—Yes, if you take the ultimate result including the waste.

Dr. Matthai.—When you say 20 c.ft. you mean 20 c.ft. in the log.

Mr. Schele.—Yes.

Mr. Mathias.—That is to say there is a large wastage in the manufacture of veneers.

Mr. Schele.—You have to sort them out before you use them. All the veneers that we get are not good for boxes.

Dr. Matthai.—In answer to question 13 you say “normally only 65 per cent. more wood would be required for full size than for $\frac{1}{2}$ size, but the average quality of the wood in Calcutta and Burma falls below that of Bombay”. That results in more wastage.

Mr. Schele.—Yes. For instance with the big logs in Burma there are all kinds of disadvantages which make the ultimate result less favourable than in Bombay.

Dr. Matthai.—In answer to question 15 where you speak of packing cases you say that in regard to the half size you require 1.45 c.ft. ready sawn boards. That is finished timber.

Mr. Schele.—Yes.

Dr. Matthai.—You could not give me any sort of rough idea if it is 1.45 c.ft. in planks, what it would be in the log? Would it depend on the circumstances.

Mr. Schele.—I could let you have the information later.

Dr. Matthai.—We got the figure of 5 c.ft. in the log for a case.

President.—Would you have any objection to giving me the cost of the finished case?

Mr. Schele.—I have given it already in my list. Rs. 3-8-0 for half size and Rs. 3-13-0 for full size.

Dr. Matthai.—In answer to question 18 where you speak of departmental felling you say, you are now paying six pies in the area formerly covered by your lease. That is in Assam, is it not?

Mr. Schele.—Yes.

Dr. Matthai.—Is that a yearly lease?

Mr. Schele.—That was the original lease giving us a monopoly.

Dr. Matthai.—Originally was it a yearly lease?

Mr. Schele.—Yes, with one year option. We didn't renew it.

Dr. Matthai.—Now there is no question of a lease at all. It is a question of simply extracting wood on a permit.

Mr. Schele.—Yes, just on an ordinary permit system. A lot of other people do the same.

Dr. Matthai.—These two places, Umbra and Kopoli, are they in the Bombay Presidency?

Mr. Schele.—Yes.

Dr. Matthai.—What area? Is it Colaba area?

Mr. Schele.—I don't remember. I think it is in the Colaba division.

Dr. Matthai.—You are paying a higher royalty for mangoes.

Mr. Schele.—Yes.

Dr. Matthai.—That was because you thought they would be suitable for splints. You don't think so any more.

Mr. Schele.—No.

Dr. Matthai.—In Honawar you pay Rs. 6 per acre for clear felling.

Mr. Schele.—Yes.

Dr. Matthai.—You fell down all the trees in the area.

Mr. Schele.—Yes.

President.—And then you take incidentally whatever match wood is available in that area.

Mr. Schele.—Yes, and we sell the hard wood.

Dr. Matthai.—Have you any idea when you undertook clear felling in that area, what it would cost per ton of match wood? Have you any idea at all?

Mr. Schele.—The matchwoods down there cost between Rs. 60 to Rs. 70 per ton at the factory.

Dr. Matthai.—You are not working that now.

Mr. Schele.—We are. This is the last period. We started last year rather late and we thought it was on account of the deficient organisation that we were not successful. We thought we should give it another trial this year too.

Dr. Matthai.—You say that other Companies have been given more favourable rates.

Mr. Schele.—Yes.

Dr. Matthai.—Do you know of any other?

Mr. Schele.—Guzerat Islam Match Factory.

Dr. Matthai.—How much does it pay?

Mr. Schele.—About As. 4 to As. 6 per cart.

Dr. Matthai.—A cart is one third of a ton.

Mr. Schele.—Yes.

Dr. Matthai.—In your answer to question 19 where you give the cost of the wood at the factory, you don't give the Assam cost. What is your Assam cost?

Mr. Schele.—So far we have been rather unsuccessful in Assam which is chiefly due to an unsuitable man having been in charge. He has now left our service.

Dr. Matthai.—Are the costs high in Assam?

Mr. Schele.—Yes.

Dr. Matthai.—What was that due to—extraction or transportation?

Mr. Schele.—On account of extraction. As a matter of fact we did not get the wood down to the factory.

Dr. Matthai.—Now it is improving.

Mr. Schele.—We have dispensed with the old man and we are putting a new man there. It is very difficult to extract wood in Assam. It is a very dense jungle. Labour is very scarce and does not want to remain there.

Dr. Matthai.—And the question of rafting also is very difficult.

Mr. Schele.—Once you have got the wood out to the Brahmaputra, rafting would not present any difficulty.

Dr. Matthai.—Then in answer to question 24 where you speak of plantation you say: "As long as wood can be obtained through contractors, a plantation on private initiative would increase overhead expenses and place the originator less favourably in the present competition". But if you look to the question of the security of supplies.....

Mr. Schele.—But there is no security in the whole industry.

Dr. Matthai.—In what way?

Mr. Schele.—Government may say next year that the industry has no right of existence. If we had invested capital on plantation where would we be?

Dr. Matthai.—Assuming for argument's sake that we declare the industry is one which requires protection and to that extent the tariff is secure, then the question of plantation might assume a different aspect.

Mr. Schele.—Then again it may seem more advantageous to get wood through contractors.

Dr. Matthai.—Supposing as a result of experiments on various kinds of trees you find that certain trees are good enough for match-making, and they don't at present grow in sufficiently accessible areas or in sufficiently compact areas, then you might start an artificial plantation.

Mr. Schele.—We would probably go into that very carefully. If the industry was established we would again go into the question. But when we made our last calculation we found that it would not pay unless the timber prices are very much higher than what they are to-day.

Dr. Matthai.—You mean timber prices as you get them from the contractors.

Mr. Schele.—Yes.

Dr. Matthai.—But I thought when I read your answer the difficulty at the back of your mind was that while the position of the Match industry in India from the point of view of tariff assistance was so uncertain, it would of course be out of the question to incur all the capital expenditure required for a plantation, but if ultimately it so transpired that the industry was placed on the footing of a definitely protected industry, then you would think differently with regard to plantation.

Mr. Schele.—We should certainly go into the matter again and see what could be done.

Labour.

President.—In answer to question 32, you say that you have got 17 European experts. Would you have any objection to tell me how many you have got at Ambernath.

Mr. Schele.—Nine at Ambernath.

President.—I suppose some of them are mechanical experts and others may be chemists.

Mr. Schele.—Yes. The chemists in the factory is really the factory manager. He is not included. To this must be added one factory manager and two accountants.

President.—Could you tell us what they cost, the eleven of them?

Mr. Schele.—About Rs. 10,000 a month.

President.—I suppose this is the minimum number of Europeans that you can do with in your factory or can you reduce the number as you go on?

Mr. Schele.—I think we can reduce them as we go on.

President.—In what departments do you think you would be able to employ Indians out of this number?

Mr. Schele.—First of all we don't need as we go on the same detailed supervision. All the labour is now new and we get unfortunately every year

new labour. So far there is a continuous labour training going on. Naturally labour can't be trained by anybody else except by an old hand. In fact when those things settle down, as I hope they will although they have not done so far—we would certainly be able to reduce the number of Europeans,

President.—I may just point out to you that there is a feeling in the country that in most of these industries, Indians in large numbers are not sufficiently employed.

Mr. Schele.—Yes. One manufacturer even said that "No Indian was allowed in our factory". In fact we have more than 3,000.

President.—I don't know who said that. It is not merely the employment of Indians, but also the opportunity of learning the business.

Mr. Schele.—Our Parel factory was run by an Indian entirely on his own. There was not one European in that factory. In the first instance, we had one man from Southern India who was not up to the mark.

President.—Obviously there must be processes which you would not allow any outsider to learn.

Mr. Schele.—He did everything.

President.—Including the formula?

Mr. Schele.—Yes.

President.—Have you still got him?

Mr. Schele.—Yes.

Dr. Matthai.—But the factory has closed down.

Mr. Schele.—We are not going to let him go. He will be transferred probably either to Burma or Calcutta.

Dr. Matthai.—Is he still in your service?

Mr. Schele.—Yes.

President.—Was he trained by you?

Mr. Schele.—Yes.

Dr. Matthai.—What was he before he joined you?

Mr. Schele.—I don't remember, he is a Bengalee.

Dr. Matthai.—Is he a chemist?

Mr. Schele.—No.

President.—It is pleasing to learn that you have got a Bengalee who looks after your business in Bombay whereas I don't see any Bengalee in your factory in Calcutta.

Mr. Schele.—There are Bengalees in our Factory here, but they are not in charge.

President.—No man is a prophet in his own country.

Mr. Schele.—We have 3,491 Indians in our factories.

Mr. Schele.—Everybody with common sense must understand that it is justified but that it is made—that there is a tendency to employ Indians in the lower departments and Europeans in the higher departments.

Mr. Schele.—For obvious reasons.

President.—They don't consider them obvious.

Mr. Schele.—Everybody with common sense must understand that it is not possible to run an old industry like the Match Industry without bringing in experts. The other factories have got Japanese experts.

President.—At present you have not been long enough in the country I admit. I am only trying to point out the general feeling.

Mr. Schele.—I think that it is really one of the most unfounded statements that have been made.

Dr. Matthai.—Nobody ever suggests that you can do at present without imported experts. It is only suggested that you can reduce the number. It does not seem a matter of common sense to say that the number cannot be reduced.

Mr. Schele.—That is why I say that we can reduce it materially.

President.—It may be common sense to some people to feel that nobody can learn anything in 50 or 100 years, but it is not common sense to my mind to say that no one can learn anything under 50 or 100 years. To say that this requires very high training and that one must go there as a boy of 7 and live up to 93 before he can ever be put in charge of a department is not common sense.

Mr. Schele.—The complaint is made regarding the present state of affairs. We have only been working here for the last three years.

President.—As I was pointing out to you a little while ago, so far as this particular industry goes, the complaint is premature, one may admit that. But I am trying to ask you as to what chances Indians have of being taught the business.

Mr. Schele.—I think they have every chance. It is in our own interests to reduce the expenses as much as possible. We don't have more than 12 including the Factory Manager and two accountants at Ambernath. On the first occasion that we think we can reduce the number we will do it.

President.—What is your general experience of Indian labour? In the first place I take it—I am now confining myself to Ambernath—that most of the work is done by machinery.

Mr. Schele.—Yes.

President.—Do you use much manual labour? Apart from looking after machinery, is any hand filling done?

Mr. Schele.—We do, but very little.

President.—That I suppose is in connection with the rejected matches.

Mr. Schele.—Yes.

President.—Apart from that everything is done by machinery.

Mr. Schele.—Yes.

President.—Is it really very difficult to train Indian labour for that? The machinery is more or less automatic, is it not.

Mr. Schele.—Yes.

President.—It is chiefly repetition work.

Mr. Schele.—Yes.

President.—So that it does not seem that it is a very difficult thing.

Mr. Schele.—I don't think so, judging by the results that we have achieved. The main difficulty is that once we have trained a man we cannot depend on him to remain.

President.—That of course is a special feature of Indian labour. It is likely to shift, but apart from that, the degree of intelligence required is not very high for this kind of work. Don't you agree?

Mr. Schele.—It needs only average intelligence. But of course the more intelligent a man is, the better he does his work.

President.—Do you pay them monthly or do you pay by piece rates?

Mr. Schele.—Chiefly piece rates.

President.—That is to say, in all departments do you pay like that?

Mr. Schele.—Yes, wherever we can do it. That is necessary in a big industry like the Match industry.

President.—Is that how you have worked out the wages?

Mr. Schele.—Yes.

President.—If a labourer is inefficient, what will happen is that some time is wasted even if you pay by piece rates. Otherwise it would not make much difference.

Mr. Schele.—If the labour is inefficient, it would mean not only waste of time but also waste of materials.

President.—Supposing a man wastes more materials, do you fine him or what do you do as regards the payment to him?

Mr. Schele.—First of all we have piece rates. A labourer gets a certain amount per basket. If he wastes materials, he does not get the same quantities to fill up the basket. In that way a bad worker earns automatically less than a good man. Of course that is the basis of the whole piece work system. A good worker can always earn more money.

President.—How many principal departments have you where you pay by piece rates.

Mr. Schele.—Wherever we can.

President.—Is there a known market rate for this kind of work in Bombay?

Mr. Schele.—No. As a matter of fact we have during the last two weeks reduced our piece rates at Calcutta and Bombay on the basis of our own experience. There was a strike in Bombay when I left for this reason.

President.—In what department?

Mr. Schele.—All through the factory.

President.—Is that the system under which you employ labour in Sweden?

Mr. Schele.—I should say all over the world big industries work on piece rates system.

President.—They sometimes pay a bonus. The bonus is divided between the people working in the whole department.

Dr. Matthai.—You don't have a bonus system in your factory?

Mr. Schele.—No. There is this disadvantage that the quality will suffer. Everything will be packed in the case, irrespective of quality because the bonus is paid per case.

President.—Can you tell us what would be the percentage of wastage in Sweden, due to labour?

Mr. Schele.—I can't give you the exact figure, but the percentage would be very small.

President.—Do you ascribe that wastage to the labour being inefficient?

Mr. Schele.—To inefficient labour, as far as wastage is caused by labour.

President.—Would you object to give us the cost of labour per unit?

Mr. Schele.—I cannot tell you that.

President.—I must again tell you, Mr. Schele that if we are not enlightened on this point we may have to accept higher costs of manufacture for purposes of our calculation. I don't think you fully realize the situation. If we came to the conclusion that the cost of the Indian manufacturer is high and if we find that this protection of Rs. 1-8-0 is not sufficient, it will have to be raised.

Mr. Schele.—That will be to our advantage.

President.—You don't know what may happen in either direction. You assume that if the duty goes up you will manufacture more matches in India.

Mr. Schele.—Yes, our factories will still be there.

President.—That is an assumption which may not turn out as you expect.

Mr. Schele.—Our factories cannot be wiped out from the face of the earth. They will be there in some form or other.

President.—Supposing the country came to the conclusion that manufacture on those lines by a foreign company was not to be allowed, in that case—I don't express any opinion—what will happen? You base your case on the assumption that if the duty goes up you will manufacture more matches here. That assumes that there will be no change in the present position.

Mr. Schele.—I don't think we will necessarily make more matches but we will continue. Our imports will stop and we will arrange our factories accordingly in Sweden.

President.—We want you to understand this so that we may not be told afterwards that you had no opportunity to put your case, that if we don't know your costs and if we were to accept the Indian costs which, for the sake of argument, let us say, were higher than yours, and we came to the conclusion that Rs. 1-8-0 did not give the industry sufficient protection, then it is possible we may recommend an increase in the duty. You say it does not matter; if that is done you would go on with your factories in this country. Supposing we came to the conclusion that your factories should not manufacture matches in this country then what is your position?

Mr. Schele.—We look upon this from an entirely practical point of view. Anyhow the imports will come to a close very soon with the present duty as I said yesterday. We are looking upon that as a thing of the past. We have our factories here now. If you find after I have explained all our methods and our aims to you that we are not worth making matches in this country we have to submit ourselves to your decision. I mean to say if we have to hand over our factories to Indians we may have no objection at all.

President.—In that case this question of costs is very important.

Mr. Schele.—Now the import is coming to an end as I have said, and we have only to look at the local manufacture. If you give it more protection it will not make any difference to the local manufacturers because their rates will be exactly the same as they are to-day on account of competition. Even if you put a duty of Rs. 5 on imported matches Indian factories would still sell their matches at Rs. 1-8-0 for full and Rs. 1-4-0 for half size, and if we sell our factories to Indian shareholders they will certainly sell at the same rate as we do to-day. So I do not see where the difference comes in at all.

President.—The difference comes in this way that it may entirely affect the measure of protection or the method of giving protection.

Mr. Schele.—Given certain indications I can tell you what the costs to first class Indian factories are to-day.

President.—We have got to listen to both sides and I think it is my duty to point out to you that if your company withholds from us information on this most important point, we cannot reasonably take your cost into account, and it is for that reason that I am suggesting to you that more information should be given to us than you are prepared to do.

Mr. Schele.—At the same time I think you will not get as much reliable and technical information from anybody as we have given you. I have really gone out of my way to satisfy the Tariff Board.

President.—We are very much indebted to you for the information you have given, but this is a most important point in this enquiry and on that you are in a position to give me very valuable information. I have no powers to compel you to it but you must realize my position, also that when I come to consider the proposals I will have this difficulty that I know nothing about the position of your company on this point.

Mr. Schele.—We do not claim anything in this case. Whatever you do we shall be satisfied.

President.—I am very pleased to hear that.

Dr. Matthai.—This enquiry has arisen not as a result of application from anybody but as an independent reference by the Government of India to the Tariff Board. The point of view I would put before you is this. Here is an enquiry undertaken by the Government practically on their own

initiative. You are at present part of the Indian industry. We are asking for your co-operation and in any tariff enquiry the question of cost is the most vital factor.

Mr. Schele.—At the same time the most difficult question.

Dr. Matthai.—Certainly, but you are not prepared to co-operate with us in an enquiry into this difficult question. Now, we have investigated this question in Burma and the biggest unit in the match industry in that province have placed all the facts before us. You are the most powerful unit of the industry in India at present and you have less fear of competition as I look at it.

Mr. Schele.—I don't think you are right there.

Dr. Matthai.—You are withholding assistance from us in an enquiry which is going to be an enquiry of some difficulty and that is the point of view we should like you to take into account.

Mr. Schele.—At the same time you must admit that at the present stage the Swedish Match Company and myself have really done a good deal to facilitate your labour.

Mr. Schele.—There was no need at all for me to appear at this early stage and nobody else could have given you the information that we have given except on this only point. I think you will understand me. I could have appeared later on when you came to Bombay, but by appearing before you prior to my leave for Europe we are giving the other members more time to consider this matter, which must be a distinct advantage. I venture to say it ought to be anyhow. The only point on which we do not give you any information is this point of cost.

President.—That is the most important point.

Mr. Schele.—After all, you have asked many questions and we have replied to all barring one.

President.—It was very good of you to have given all this information. But even if you had not given any information the interest of the Board would not have suffered because in that case we would have said that the Swedish Match Company does not want anything. I should have simply said they have no case, we shall pass our orders as if they do not exist.

Mr. Schele.—What I said was that whatever you would have done would have been gratefully accepted by us in any case. If you have followed the enquiry into the match industry in any other country you will find that nothing like the information we have given you has been supplied. There is a big enquiry going on in Australia at present; they don't get information like what we have given you.

President.—Their methods are entirely different from ours. I am not trying to put any pressure on you, only that I don't wish the Swedish Match Company to say—supposing orders were entirely adverse to the Swedish Company—that they had no chance of putting their case.

Mr. Schele.—Yes, you can put that on record.

President.—You fully realize the position?

Mr. Schele.—Yes.

President.—As regards wages, the Burma wages appear to be lower than in Bombay?

Mr. Schele.—Yes.

President.—That was my impression and I told people there, but they said it was not so. This Burma labour is chiefly imported labour, is it not?

Mr. Schele.—I would not say so. If you take all the labour, male and female, we have got 138 women and 161 men. All the women and some of the children are Burmans. I should say 50 per cent. of the labour is Burmese and 50 per cent imported.

President.—Even so I am not able to understand why the wages in Burma as regards factory and other labour are lower than the wages in the industrial parts of India.

Mr. Schele.—I think they are less efficient.

President.—In the match industry anyhow women are supposed to be more efficient in Burma.

Mr. Schele.—Generally the Burmese woman is more efficient than the Burmese man, but labour in Burma is not as efficient as in India.

President.—You say in Ambernath about 10 per cent. of the labour comes from the Bombay Presidency.

Mr. Schele.—That is so.

President.—Where does the rest of the labour come from?

Mr. Schele.—From all over the country. As a matter of fact I asked for figures from the factory Manager and he states "we have had batches of people from places like Satara, Nasik, Bangalore, Mangalore, Sholapore, Madras, Punjab, Delhi" and so on. Then he goes on to say "It is remarkable that out of the people at present engaged by us only 10 per cent. comes from the Bombay Presidency, the reason being that Ambernath is a lonely place.

Dr. Matthai.—How does it compare with the cotton industry?

Mr. Schele.—They are in the town of course so that what he says in the case of Ambernath does not hold good there.

President.—I see that you have got fairly good arrangements for housing your labour. I think you said about half your labour is housed in your own factory, is that so?

Mr. Schele.—About 75 per cent. It varies from time to time. Particularly it varies at Ambernath, because we were working double shifts up till November last. That meant the dismissal of 1,200 people; if you had asked me in November, I could have given you the exact percentage.

President.—Now your labour force is 1,517.

Mr. Schele.—Yes, it was 2,700 before. All workmen don't agree to pay the rents for workmen's quarters and some prefer to live in Kalyan rather than in our quarters. I should say 75 per cent. is housed with us.

President.—In your quarters.

Mr. Schele.—Yes, we would like to have all of them over there, because we would then have better control.

President.—It is a pity that we have not had a chance of seeing it. I propose to reserve this part and subsequent parts of the examination until after we have seen the works.

Mr. Schele.—Yes.

Power.

President.—Do you use entirely electric power in Ambernath?

Mr. Schele.—Yes.

President.—Do you get it from Tatas?

Mr. Schele.—No. We get it from the Development Department. They have their own power station at Ambernath.

President.—The Development Department of Bombay.

Mr. Schele.—Yes, they have Diesel motors.

President.—Is it run only for your factory or for others?

Mr. Schele.—The idea was to make Ambernath a big industrial area. The only people who came however were ourselves. There is one other industry, Dharamsi Mararji Chemical Company and Woollen Mills. I think they have their own power station.

President.—Have you got a long term arrangement with them or what?

Mr. Schele.—I think we have 5 years option.

President.—Do they charge you a flat rate per unit?

Mr. Schele.—No, on a sliding scale system.

President.—In Burma they charge per horse power and also per unit.

Mr. Schele.—That has already been taken into consideration for this rate.

President.—Is it a little higher than Tatas or about the same?

Mr. Schele.—As. 0-7. But I understand that their rate is coupled with certain conditions that the consumer must take a very high load, etc.

Mr. Mathias.—The Calcutta rates are rather cheaper than Tatas just now?

Mr. Schele.—As. 7 comes to 8-4 pies, whereas the Calcutta rate is 10 pies per unit.

President.—Then the rate in Sweden is 2 pies per unit.

Mr. Schele.—Yes, that is an average.

President.—That is because you have got those superstations.

Mr. Schele.—That is the rate from our big water falls for general distribution. In Sweden you very often find that an industry has got its own water falls and generates its own power.

President.—Do you make your own power there?

Mr. Schele.—We have our own power centres. In some places we buy electricity. I think it is a fair average.

President.—In answer to question 40 you say:—"Waste from the peeling machine, but not sufficient at Parel, Assam and Burma." But you would require some steam even at Ambernath.

Mr. Schele.—We will require a considerable amount.

President.—That you get from your wastage.

Mr. Schele.—Yes.

President.—You don't have to buy any other fuel.

Mr. Schele.—No.

Dr. Mathias.—Is that mainly for drying?

Mr. Schele.—Yes and for boiling the wood.

Mr. Mathias.—In answer to question 41 you say "our cost of power per case " per case of what?

Mr. Schele.—Per case of 50 gross.

Market and Prices.

President.—As regards market now you estimate the consumption at about 16 millions.

Mr. Schele.—Yes.

President.—I could account only for about 14 millions locally made including your production and Adamjee's.

Mr. Schele.—We have not sold our production. Even the figure given by Adamjee is much higher than he has been making.

President.—His output is 1,100,000.

Mr. Schele.—That is higher than what he has made.

Mr. Mathias.—Do you mean that if he has made, he has not actually sold it?

Mr. Schele.—He has not actually made.

President.—1,087,000 gross is his actual output. If you take the imports, it is very nearly 8 millions.

Mr. Schele.—The import of matches does not mean that the imported matches have been sold as there may be heavy stocks. I think the best way really to arrive at the figure is to divide the revenue that Government has got by 1.5. They show their revenue for last year.

Mr. Mathias.—What advantage has that over the trade statistics?

Mr. Schele.—Because the latter show landed figures. They may remain in bonded godowns, where you can keep them for years without paying the duty.

Dr. Matthai.—The figures given in the trade returns, aren't they quantities on which revenue has been collected?

Mr. Schele.—No. This is how I have worked out. If you take the 10 years since 1912 and up till the introduction of the duty you get an average yearly consumption of 14·2 millions and then you have a small export of 0·2 from India. Thus you get at a nett consumption of 14 millions. My contention is this. It is not possible that the consumption since 1922 has increased to the extent of even 2 million gross, because if you look at the previous period from 1912 to 1922 there is no indication that the consumption during that period was on the increase because it is exactly the same if you look apart from the abnormal war years. I don't think it is possible that the consumption could have been increased to the extent you mention.

President.—Now I think we will be able to get a fairly accurate idea. We have issued questionnaires to all the match manufacturing companies. We can get their production and we have got the import figures.

Mr. Schele.—It is a great puzzle to me. If you really take the figures that the factories give, it would come up to 21 millions which of course is absurd. Why should it have increased to that extent?

President.—Why should the consumption not have increased?

Mr. Schele.—Not to that extent. How is it possible? Why should people suddenly start using more matches to such a considerable extent.

President.—Because matches are getting cheaper.

Mr. Schele.—You don't necessarily use more matches if they are cheaper.

President.—Working classes may use more matches.

Mr. Schele.—It would mean 50 per cent. increase.

Dr. Matthai.—We have no figures to show how far smoking has advanced.

Mr. Schele.—What I am basing my argument on is that during 1912 to 1922 if you look at the figures there was no increase.

Dr. Matthai.—What do you mean by "no increase"?

Mr. Schele.—I mean no increase in consumption.

Dr. Matthai.—In 1918-19 you had a figure of 19 millions.

Mr. Schele.—That was a war year.

President.—But I think matches have never been so cheap as they have been since the war.

Mr. Schele.—They were cheaper before the war.

President.—Since the war.

Mr. Schele.—No.

Mr. Mathias.—May I suggest that very high prices of matches during the war kept consumption abnormally down and since the war as the prices decreased, the consumption has steadily increased?

Mr. Schele.—I think so.

Mr. Mathias.—That would account for what you call "abnormal increase to 21 millions."

Mr. Schele.—I don't think it would account for an increase to that extent, because you had a cheaper match in 1912.

President.—That was a very long time ago. The country has advanced very considerably since then.

Mr. Schele.—I can't say. I have been here only for 4 years.

President.—The consumption of most other things has increased. As I was telling you we would have to make an estimate from the actual imports and the actual production.

Mr. Schele.—As regards the question of actual production people are rather inclined to overestimate their capacity.

President.—We are asking for actual production during the previous year. We have asked them a question about their capacity. We have also asked them what the actual production was during particular years.

Mr. Schele.—That is you can get the information provided everybody gives correct information.

President.—I think the bigger factories can be relied upon more or less for giving actual figures. They have no interest in saying that they produce more.

Mr. Schele.—I am not so sure about that. I have got figures from all the factories.

President.—What is your total?

Mr. Schele.—It comes to something like 21 millions.

President.—It doesn't sound absurd to me. My own idea is about 20 millions.

Mr. Schele.—The future will show that, I suppose.

Dr. Matthai.—You consider 21 millions an impossible figure in the light of your general experience.

Mr. Schele.—Yes, it is. Take Europe. You have had the same development in Europe in smoking as here. People were not smoking 17 years ago there as they are now.

President.—I don't think smoking has so much to do here as in Europe because people want matches for household purposes to light their fire.

Mr. Schele.—The bulk of the consumption comes from the smokers.

Dr. Matthai.—I think the war was probably responsible for an increase in the smoking habit of the people.

Mr. Mathias.—The revenue Government derived from matches was Rs. 113 lakhs.

Mr. Schele.—Which year was that?

Mr. Mathias.—1924-25.

Mr. Schele.—It comes to about 7.5 millions.

Mr. Mathias.—That is almost exactly the same.

Mr. Schele.—Yes.

Mr. Mathias.—The duties on matches are all collected at the ports.

Mr. Schele.—Yes.

Mr. Mathias.—And then a refund is payable when you take them out of bond.

Mr. Schele.—If you put them in bond, you don't pay the duty.

Dr. Matthai.—Do you think that the cheaper price has led to any increase in consumption?

Mr. Schele.—People have different opinion regarding that, but I think so myself.

Dr. Matthai.—The price has come down from 3 pies to 1½ pies per box. Does not that stimulate consumption?

Mr. Schele.—That is the only explanation I can find for the increase at all.

Mr. Mathias.—If there is any considerable increase in the manufacture of sulphur matches, the consumption of matches would tend to go down.

Mr. Schele.—In accordance with what I said yesterday, I would say so.

Mr. Mathias.—That is to say the cheaper the strike anywhere matches become, the more economy is possible in the use of matches.

Mr. Schele.—Yes.

Dr. Matthai.—What is your experience in other countries? Is it generally recognised that a gradual lowering of the prices has led to an increase in the demand?

Mr. Schele.—Yes.

President.—What do you consider your principal markets in India?

Mr. Schele.—I think that we are equally strong everywhere.

President.—I suppose that in bigger towns you sell more matches than in villages.

Mr. Schele.—Yes, everybody does so *pro rata*. We cannot take out one particular market and say that that is our stronghold.

Mr. Mathias.—You said yesterday that so far as imported matches were concerned, you sold them in big towns and that wherever you sold imported matches, you abstained from putting on the market your Indian made matches.

Mr. Schele.—Yes, otherwise we would be competing with ourselves.

Mr. Mathias.—On that statement it would follow that large towns would be the market for imported matches and that up-country would be the market for Indian matches.

Mr. Schele.—Yes, but we have lately been compelled more or less to extend our activities in Indian matches to every part of India on account of the difficulty in disposing of our production.

Mr. Mathias.—That is you are knocking out the sale of imported matches.

Mr. Schele.—We now sell indiscriminately everywhere. Take for instance Madras. Formerly Madras was practically confined to imported matches. Then the Santa Cruz factory in Bombay and the Adamjee's factory, Raugoon, started to send their locally made matches there at very low rates.

Dr. Matthai.—What you say about Assam and Burma is that in those two provinces not merely in the matter of sizes but generally there is a preference for imported matches.

Mr. Schele.—Yes, it also applies to a certain extent to the Punjab, Madras and Karachi. It is really due to the monsoon. Wherever there is heavy rainfall, you will find that people require imported matches. That consideration combined with how well off people are—these two factors really explain why imported matches are being sold.

Dr. Matthai.—The bulk of Madras is not a monsoon area, in the sense in which Bengal is.

Mr. Schele.—Quite.

President.—Your principal markets are Madras, Karachi and Burma.

Mr. Schele.—Up till now. Things are moving very rapidly indeed. A few months ago the position was not the same.

President.—In the case of Bengal and Bombay the imports have been steadily diminishing but so far as Madras and Burma are concerned, there has not been very much change.

Mr. Schele.—That is correct.

President.—In Bengal, the imports have come down to a million gross. In Bombay, it is a little over a million and a quarter whereas it used to be four millions before. In Madras it is more or less in the neighbourhood of a million all the time since before the war. So is the case in Burma.

Mr. Schele.—In the case of Burma you will have to take into account the smuggling that was going on which interfered with the importer. There was no duty between Siam and India.

Dr. Matthai.—The figures are practically the same since 1920.

Mr. Schele.—To that you must add local production.

President.—The imports have not been affected in Madras and Burma.

Mr. Schele.—There is no local industry in Madras whereas there is one in Burma. That will explain why the Burma figures have not increased although the trade with Siam was stopped.

President.—It sends its matches to Madras.

Mr. Schele.—That is only recently. If the free import from Siam had not been there, the figures would have been much higher.

President.—As regards other countries during the war Japan more or less took your place.

Mr. Schele.—Yes.

President.—In India it did more than that because practically all the matches came from Japan.

Mr. Schele.—One year our imports came to 0.8 per cent.

President.—It was in 1918, I think.

Mr. Schele.—Yes.

President.—Then what happened is that the Japanese matches have been knocked out of the country and that you have re-established your pre-war position more or less so far as your imports are concerned.

Mr. Schele.—Yes.

President.—Is it not a fact that both your Indian made matches and other Indian made matches have knocked out the Japanese matches?

Mr. Schele.—Yes. When matches were made locally, they started to compete with the Japanese matches and when they had knocked out the Japanese, they started to affect the Swedish.

President.—Now the competition therefore is between your imported matches and local matches here.

Mr. Schele.—Yes, plus rather a fair percentage held by Czecho-Slovakia. You must take other countries into account. Of the other countries I put Czecho-Slovakia first. The figure for last year was 716,000 gross for Czecho-Slovakia and 140,000 for Norway.

President.—Your contention is that matches that come from Germany and other countries may be Czecho-Slovakian matches.

Mr. Schele.—I know that. We wrote to the Collector of Customs and asked where these matches came from. We were told that they came from Czecho-Slovakia. In the Trade Returns, I understand, they have been classified in accordance with the port of export.

President.—What I want to be clear about is this. You have got nearly 5 million gross in 1925-26 and Japan only 2½ million gross. Now Japan has come down to nearly a million whereas your figure remained more or less the same.

Mr. Schels.—Yes.

President.—You are competing against Japan here.

Mr. Schels.—Yes.

President.—Now of course when the Japanese matches have disappeared there is competition between yourselves as importers and yourselves and Indians as manufacturers of matches in India.

Mr. Schele.—Yes.

President.—As regards sulphur matches you say they are manufacturing these matches now in Bombay. Is that the only province in India where sulphur matches are manufactured?

Mr. Schele.—Yes, because sulphur matches are chiefly supplied from Bombay. There is no consumption of sulphur matches in Burma or in Bengal.

President.—What I wish to know is, what do you consider to be the prospect of the sulphur matches in this country? Do you think it is a good proposition?

Mr. Schels.—I think it has as much prospect as the safety match industry.

President.—Is there anything specially difficult in the manufacture of sulphur matches?

Mr. Schele.—They are supposed to be more difficult to make, but apparently these factories in Bombay have overcome the difficulties.

President.—So far as manufacture goes is there any greater difficulty in the manufacture of sulphur matches than safety?

Mr. Schele.—Technical people look upon sulphur matches as more difficult.

Mr. Mathias.—In the case of sulphur matches instead of being dipped into paraffin they are dipped in sulphur, is that correct?

Mr. Schele.—Yes.

Dr. Matthai.—Is it more expensive to manufacture them in Bombay?

Mr. Schele.—I do not know.

Dr. Matthai.—In other parts of the world what is the position? Is it supposed to be more expensive?

Mr. Schele.—It is very much the same.

President.—In the monsoon do they light as well as these other matches?

Mr. Schele.—Yes.

President.—Are not the heads affected?

Mr. Schele.—They light quite as well.

President.—As regards these c.i.f. prices have these been averaged? What we wanted was the average for each individual year.

Mr. Schele.—We have not given particulars because there has been no change. From 1920 onwards we were going down slowly from 4 shillings, but we did not do any business for some time.

Mr. Mathias.—You have given a figure of 1s. 8d. for 1922, could you not get figures for 1921?

Mr. Schele.—I think in 1921 it was exactly the same.

President.—The trouble is that between 1923 and 1927 the question of the exchange arose in the early part of 1923 and 1924.

Mr. Schele.—That does not make any difference to us.

President.—But it would make a difference in the rupee price, 1923-24 price would be higher in rupees than now by 12½ per cent.

Mr. Schele.—What happened was that we had our matches on consignments and we sold them at a fixed price irrespective of the exchange.

President.—What I want to find out is this. This question of the exchange here in this particular instance has a different aspect from what it had in our other enquiries because in 1924 the exchange was at 1s. 4d.

Mr. Schele.—You can reduce it by 12½ per cent. If you reduce 1s. 5d. by 12½ per cent. you get the right price.

President.—The point is this, whether by the rise in the exchange from 1s. 4d. to 1s. 6d. the foreign matches did not get an advantage over the Indian matches. On these figures it would seem to be so.

Mr. Schele.—I think they got an advantage but not over the Indian because there was no competition between Indian and imported as I said yesterday.

Mr. Mathias.—If we translated this shilling price into rupees at the current rate of exchange would that be correct?

Mr. Schele.—Yes.

President.—You have not given us the price at which these were sold in the country.

Mr. Schele.—In those days we were not out here at all and we do not know what happened in the country.

Mr. Mathias.—From 1922 onwards?

Mr. Schele.—We do not know what happened at all before then. We used to sell the matches in London and what happened after that we do not know.

Mr. Mathias.—When did you start here?

Mr. Schele.—In 1922. After our sale in London it just requires adding the duty and landing charges and you get the price.

President.—Is that so always?

Mr. Schele.—Yes.

Mr. Mathias.—Your selling agents sell here after paying the duty? What price do they sell at?

Mr. Schele.—This price plus the duty. If we cleared the matches we paid the duty and landing charges, if the importer cleared it he paid the duty. In Karachi and Madras we sold on an Indent basis to various houses. We have no concern with the matches after they have left Sweden.

Dr. Matthai.—What is the price at which you sell wholesale on the Bombay side these imported matches 1½ size?

Mr. Schele.—In Bombay full size. It is entirely sulphur. It is all sold upcountry at Rs. 2-13-0.

Dr. Matthai.—If I take your figure of 1s. 8d. and add the duty it comes to Rs. 2-10-0.

Mr. Schele.—To which you have to add landing charges half an anna, port dues, commission, then you have to add the local dealer's commission at about one anna; all these would mean another 3 or 4 annas.

Dr. Matthai.—So that on the whole you sell at Rs. 2-13-0 against the c.i.f. price of 1s. 8d.?

Mr. Schele.—Yes.

President.—Could you give us the f.o.b. price?

Mr. Schele.—No. All our prices in Sweden are c.i.f.

President.—Is there any difficulty in calculating the freight to different markets, say, Bombay?

Mr. Schele.—We do not have any f.o.b. prices. That is the business of our head office. They say "your c.i.f. price in India is so much," they say to buyers in others parts of the world "your c.i.f. price is so much" and then they arrange for the insurance and everything. I can however give you figures to enable you to calculate the freight from Sweden to Bombay.

President.—Will you please let us have it on Saturday?

Mr. Schele.—Yes. Freight for matches from Gothenburg to India is £1-7-6 less 5 per cent. per ton of 50 c.ft. measurement or weight at owner's option.

President.—And the insurance?

Mr. Schele.—12s. 7d. per £100 sterling; it comes to about .08d. per gross. It is really a very small amount.

President.—As regards matches made out of Indian wood you cannot compare Bombay, Burma and Calcutta at all because you have half size in Bombay and half size converted into full size would be 42 per cent. less. Rs. 1-2-0 is half size and Rs. 1-9-0 full size, so that more or less they sell at the same price in Bombay, Burma and Calcutta. There is a slight difference as regards Burma. It is about Rs. 9 or 10 per case more.

Mr. Schele.—Yes, about Rs. 10.

President.—They account for it by saying that their matches are better. Is that the explanation?

Mr. Schele.—Do you mean the second quality made from Indian wood?

President.—Otherwise why should they get a higher price there?

Mr. Schele.—Because I think there is less competition.

President.—They say that in India they get a better price than the Indian matches in Madras and other places.

Mr. Schele.—Their prices are lower than anybody else.

President.—Are they?

Mr. Schele.—Yes.

President.—My recollection is they said that these matches were better.

Mr. Schele.—The matches in Madras are sold much lower. When Burma matches first came to Madras they were sold annas 4 to annas 6 below the prices of other manufacturers. I don't know why. There was no reason for that.

President.—Do the Swedish matches get better prices in Rangoon than they do in Bombay and Calcutta or is it just the same?

Mr. Schele.—I should say in Calcutta they get a better price. That is the only place where Swedish matches are still sold in any quantities on this side of India.

President.—To this Rs. 1-8-0 you have given, you have to add commission, landing charges, etc.

Mr. Schele.—They are the same as imported except in the matter of landing charges.

President.—That would mean nearly about annas 2 more and then you gave half an anna for landing charges and 9 pies for commission.

Mr. Schele.—These are our selling prices in the market. From those should be deducted agent's commission. We pay Forbes, Forbes Campbell and Company 1-2 per cent. on Indian matches.

President.—I think the best thing is to compare it with the landed price. The c.i.f. price is 1s. 8d. which is equal to Rs. 1-1-6.

Mr. Schele.—To that we have to add landing charges and other things.

	Rs.	A.	P.
C.i.f. 1s. 8d.	1	1	6
Landing charges	0	0	6
Importers' commission	0	0	9
London House's commission	0	0	8
Dealer's commission	0	1	6
	<hr/>		
TOTAL	1	4	6

President.—Is Rs. 1-4-6 comparable with Rs. 1-8-0?

Mr. Schele.—Yes.

President.—Then it means that annas 8½ is the difference between foreign and Indian prices.

Mr. Schele.—Yes.

President.—As regards Assam you reduced the price to Rs. 1-3-0. Is that comparable with Rs. 1-8-0?

Mr. Schele.—No, that is half size.

Dr. Matthai.—Is there anybody else supplying the up-country market in Assam?

Mr. Schele.—Yes.

Dr. Matthai.—Who?

Mr. Schele.—Everybody else.

Dr. Matthai.—Is the competition from Bengal factories?

Mr. Schele.—Yes, Calcutta factories.

Mr. Mathias.—With regard to this note you say that you are trying to liquidate old stocks at very low prices. Is that the reason why we were informed in Burma that there was a very great cutting of prices by the Swedish Match Trust?

Dr. Matthai.—What they said was that quite recently in Mandalay you were selling matches at unconscionably low prices.

Mr. Schele.—They must have referred to that. As a matter of fact we can't get rid of these stocks. We sell them on six months' credit.

Mr. Mathias.—How many months' credit do you give ordinarily?

Mr. Schele.—We sell for cash. That is the difference between us and Adamjees.

Mr. Mathias.—You don't even give a month's credit.

Mr. Schele.—Most of our business is done on strict cash before delivery.

President.—If you take Rs. 1-6-6 as the nett, it works out at Rs. 1-8-0.

Mr. Schele.—Yes.

President.—Formerly you got Rs. 1-11-0 and you have now reduced it to Rs. 1-6-0 in Assam.

Mr. Schele.—Yes.

Dr. Matthai.—Did you have occasion to liquidate stocks at low prices on the Bombay side?

Mr. Schele.—No. This was particularly in Mandalay.

Dr. Matthai.—Because in one of the letters that we got from the Bombay side they say that somewhere in September, 1926, you were selling imported matches at Rs. 2-4-0.

Mr. Schele.—Yes, imported matches were really sold off at Rs. 2 because they were in a very bad condition and we are only allowed to keep goods in bond for three years. We could not sell them in three years. They were too bad and we had to get rid of them.

Mr. Mathias.—By putting on the market these bad matches, don't you spoil your reputation?

Mr. Schele.—It is very difficult to know what one should do. Really one should not do it.

President.—As regards Assam I think you are getting the price that you expected to get.

Mr. Schele.—We have been too optimistic.

President.—You expected to get Rs. 1-8-0.

Mr. Schele.—We didn't get what we expected. You refer to full size and we are making half size in Assam. At that time we estimated that we should get Rs. 1-8-6 at the factory. Now we get Rs. 1-1-0, so it is rather a disappointment.

President.—Then you must be selling at a loss.

Mr. Schele.—At the same time we were very conservative in estimating.

President.—So you are on the right side in that case.

Mr. Schele.—I don't know how it will turn out this year.

President.—More or less it is a local market.

Mr. Schele.—We tried to take advantage of the position of the factory. That is why we placed our factory up there in order to get the benefit of lower freights to Assam and Northern Bengal.

President.—What I mean is there is no local competition in Assam.

Mr. Schele.—Not from any factory up there, but the Calcutta factories are selling on both sides of the Brahmaputra.

President.—They ought to be at a disadvantage compared with you.

Mr. Schele.—Yes.

President.—Which are these factories that compete there?

Mr. Schele.—I should say everybody. Adamjee also competes there. He sends his goods to Chittagong and rails them up to Assam.

Dr. Matthai.—Is Esavi selling up there?

Mr. Schele.—Yes, it is only half size consumed in Assam. There is no demand for full size. This factory is meant to supply Assam.

President.—I don't think anybody reading the prospectus will see that you are going in for the manufacture of half size in Assam.

Mr. Schele.—No, he only looks at the margin of profit.

President.—One might go wrong in calculations.

Mr. Schele.—I am sorry for this omission.

President.—I think speaking generally what it comes to is this: All over India with the exception of Burma the price of full size is about Rs. 1-8-0. I think that is right. In Burma it is a little more.

Mr. Schele.—Yes, but then you have to give a long credit in Burma which is not given anywhere else.

President.—Burma is a country for long credits, not only for matches but for many other things.

Mr. Mathias.—The other factories give credit.

Mr. Schele.—Yes.

President.—With reference to your answer to question 53: the question is "Have you any reason to suppose that prices at which foreign producers sell for export to India are unremunerative?" and you say "No." That may be in your case.

Mr. Schele.—Yes. I have no business to talk of others. I merely refer to my own case.

President.—Do you keep separate accounts as regards each concern of yours in Sweden?

Mr. Schele.—No, we don't keep separate accounts. It is all one.

President.—Do they have different prices for different countries in Sweden?

Mr. Schele.—Decidedly.

President.—When you say remunerative it may mean that they average all the prices they have got for different countries.

Mr. Schele.—That is what has been done.

President.—It may be that so far as one country is concerned, the prices may be unremunerative and as regards others they may be remunerative and you may find that the average is remunerative. It is in that sense you have answered the question.

Mr. Schele.—No, I am not conversant with the details of the home finance. Why I think I am justified in saying this is that we sell at lower rates to very important markets than what we sell to India. One of those markets is England. We sell there at lower rates than what we do here.

President.—Ordinarily your head office will average that.

Mr. Schele.—Naturally. We have a profit and loss account. We have made so and so many cases of matches. We know the costs. On the other side, the receipts are so and so much.

President.—The point that is of some importance is with regard to your cost of production. Apart from the prices that you realise what we wanted to know was whether they were remunerative. You do not know what happens.

Mr. Schele.—If the Swedish company were to sell at a loss to other countries, they would not be able to do as well as they do now. We cannot pay a dividend and sell at the same time at unremunerative prices.

President.—What you may be doing is where there is competition you may sell at unremunerative prices.

Mr. Schele.—I don't think we do that.

President.—I say you may.

Mr. Schele.—I don't think so. There is some margin. If the prices are too high, competition will arise.

President.—In that case you bring down the prices.

Mr. Schele.—There is not a very big margin.

President.—Can you give us the prices of matches in Sweden itself?

Mr. Schele.—Swedes use only Swedish matches. The consumption there is very small.

President.—Why, don't they smoke?

Mr. Schele.—We are only 5 million people.

President.—They can smoke a lot.

Mr. Schele.—But not as much as 330 millions.

President.—Burma's population is only 10 millions.

Mr. Schele.—If you want the prices of matches in Sweden, I can get them for you.

President.—Yes, we would be obliged if you could get us those prices. You must I think be in touch with Japanese prices.

Mr. Schele.—No, I am not.

President.—Would you not keep yourself in touch with those prices?

Mr. Schele.—No, I don't.

President.—This is the only market where they compete against you.

Mr. Schele.—They compete everywhere but I am only in charge of India.

President.—You are in charge of India, Burma and Ceylon.

Mr. Schele.—Yes, but I don't bother about Java, Australia or any other country.

President.—Have you no information?

Mr. Schele.—I have got some information in reply to a cable for the particular purpose of this investigation.

President.—I should like to have it because it is very difficult to get accurate information as to what the import prices are.

Mr. Schele.—In accordance with my cable reply; the Japanese f.o.b. prices are as follow:—

1st quality 33 Yen for 50 gross.

2nd quality 32 Yen for 50 gross.

3rd quality 31 Yen 50 cents. for 50 gross.

Exchange is Rs. 136 to 100 Yen.

Freight to Calcutta is 4 Yen.

Freight to Bombay is 4 Yen 75 cents.

The exchange has gone up and that is another factor why the Japanese imports have gone down.

President.—It works out at one rupee per gross c.i.f.

Mr. Schele.—Yes.

President.—They sell at about two annas less.

Mr. Schele.—Yes.

Mr. Mathias.—In answer to question 53 (c)—“Have you any reason to suppose that prices at which foreign producers sell for export to India are exported at a price below the lowest price current in the home market,” you say “yes.”

Mr. Schele.—That refers to Sweden. Sweden has no bearing on our prices. It is such a small part of it. We make 600,000 cases a year, out of which only 25,000 cases are consumed in Sweden in a year.

Mr. Mathias.—It is usual for big manufacturers to charge somewhat higher prices in their home market.

Mr. Schele.—Because their competitors are handicapped by freight and then there are landing charges, etc.

Mr. Mathias.—You can safely charge higher rates in the home market.

Mr. Schele.—Yes.

Mr. Mathias.—Do you consider the Indian market an important market as far as your organisation is concerned?

Mr. Schele.—Not now.

Mr. Mathias.—Would the loss, for instance of the Indian market seriously affect you?

Mr. Schele.—No. As a matter of fact we are losing some of it now.

President.—You have not yet. Your imports are still the same.

Mr. Schele.—We have to look at this year.

President.—You have got figures for the last 10 months.

Mr. Schele.—I am talking of 1927.

President.—Have you got more recent figures?

Mr. Schele.—Imports do not count. If I have 6,000 cases in Bombay, I am concerned with actual deliveries from godowns. They show that the prospects are not bright.

Dr. Matthai.—I gathered from speeches which were delivered a year or two ago by your managing director that India was one of your main objectives. That is rather different from what you said in answer to Mr. Mathias that the loss of the Indian market did not matter much to you.

Mr. Schele.—It did matter then more than what it does to-day. We were rather optimistic regarding India, but it did not materialize. It is not our intention to try to monopolise the Indian trade.

Mr. Mathias.—What exactly was your intention in starting in India if it was not really an important market?

Mr. Schele.—India is an important market in itself of course. Why we started was, when this duty was introduced not as protection but as a revenue measure, our Japanese competitors tried to benefit thereby by starting factories in India, by only importing matches without the tips, I mean everything else was done in Japan, only the tips were put on in their factories here. We looked on for a year and then we felt we could not hold aloof any longer. We were forced to commence manufacturing through the Indian Government's revenue policy.

Dr. Matthai.—But is not this development in keeping with your general policy all over the world for the last 15 years?

Mr. Schele.—Yes.

Equipment.

President.—As regards equipment I do not wish to ask you many questions because we would have to see the works costs before we can really ask you any questions.

Dr. Matthai.—There is just a little point about the freight. Can you give me any idea as to the ton mile railway freight in Sweden as compared with India?

Mr. Schele.—No.

Capital Account.

President.—Roughly your block value comes to about Rs. 20 lakhs for the Ambernath factory?

Mr. Schele.—Yes.

President.—That is all new machinery, is it not?

Mr. Schele.—Yes.

President.—Is the machinery in the Calcutta factory also new?

Mr. Schele.—Yes.

President.—Your building is very old in Calcutta?

Mr. Schele.—That is a rented building.

President.—So that it would be better to take Ambernath as a typical factory?

Mr. Schele.—Yes.

President.—Your capacity may be taken at 2½ millions a year at Ambernath, so that your capitalization may be taken as just under 4/5th of a rupee per gross?

Mr. Schele.—Yes.

President.—This machinery was ordered, I take it, in 1923?

Mr. Schele.—Yes.

President.—We have got Adamjee's figures, which work out at about a rupee a gross, I think. But yours of course is a complete factory—his is not complete in the sense that he has not got all the machines yet.

Mr. Schele.—That is so.

President.—Do you consider that as a fair capitalization for production in India?

Mr. Schele.—I don't quite follow why you are trying to work out the capitalization per gross?

President.—Generally we like to find out what ought to be the fair selling price of any article, so we take the works costs we get them, then we add the return on capital, and I was simply trying to get your works costs for purposes of comparison. Has the price of machinery come down since then?

Mr. Schele.—No.

President.—You must have got your machinery in the cheapest way?

Mr. Schele.—Yes, but at the same time those who made the machinery took their ordinary profits.

President.—So this would be about a fair capitalization?

Mr. Schele.—Yes.

President.—I see from your Assam prospectus that it is a little higher.

Mr. Schele.—That is because we can make more in Assam, 30 cases per day. Then again in Assam we have got our own power station. That really makes the difference. We have not got our power station in Ambernath.

President.—Would it be right to say that in India to start a factory to produce 2½ million matches you should require a capital of Rs. 20 lakhs?

Mr. Schele.—Yes.

Overhead Charges.

1. Depreciation.

President.—As regards depreciation, this depreciation that you have debited, is it calculated actually on the whole block value according to the rates that you have given?

Mr. Schele.—Yes. You have that in reply to question 80 calculated at income-tax rates; one column shows on original cost and the other on depreciated value.

President.—Is this for one year?

Mr. Schele.—Yes.

President.—On machinery you take 10 per cent., don't you?

Mr. Schele.—No. 6½ per cent.

Dr. Matthai.—That is just the income-tax rate?

Mr. Schele.—Yes.

President.—This Rs. 1,47,000 is calculated at the income-tax rates?

Mr. Schele.—Yes. Everything is calculated at income-tax rates.

Dr. Matthai.—You are suggesting that the income-tax rate on match machinery is too low?

Mr. Schele.—Yes.

President.—In our previous calculations we took 6½ per cent. on the whole block value, buildings, plant and everything else.

Mr. Schele.—I think that should be a rather fair percentage to take.

President.—You work only one shift. That is a shift of 10 hours, is it?

Mr. Schele.—Yes.

President.—So 6½ per cent. would ordinarily be high for one shift.

Mr. Schele.—No. If you have double shifts you must have much higher rates for the industry.

President.—You consider that so far as machinery is concerned 6½ per cent. is too low?

Mr. Schele.—I think 10 per cent. should be the minimum. With new improvements in machinery you have to throw out your machines and replace them with more modern ones.

President.—This is what you have actually debited in your depreciation account of the Western India Match Company, Rs. 2,46,000.

Mr. Schele.—I don't mind showing you our balance sheet (shown).

President.—At present you are not carrying anything to the reserves?

Mr. Schele.—We cannot do that.

President.—But in your reserves you have got uncalled capital?

Mr. Schele.—It is not uncalled, it is authorised. We have called up the whole capital. That is all fully paid up capital. Everything that has been issued has been called up. In Assam we have provided Rs. 7 lakhs and we have issued Rs. 5 lakhs and they have all been paid up.

2. Interest on Working Capital.

President.—Your working capital in the Western India Match Company is Rs. 20 lakhs?

Mr. Schele.—Yes.

President.—Can you give me a separate figure for Ambernath?

Mr. Schele.—Rs. 10,50,000.

President.—That is because you don't allow any credit, otherwise you want more?

Mr. Schele.—Yes.

President.—This working capital represents your stock, I suppose chiefly?

Mr. Schele.—Stocks of ready matches and raw material.

President.—As regards raw materials have you got to carry long stocks?

Mr. Schele.—At present we have rather abnormal stocks.

President.—Suppose you had normal stocks both as regards matches and raw materials?

Mr. Schele.—That is how I want the position to be.

President.—Then Rs. 10,50,000 is normal?

Mr. Schele.—Yes, for Ambernath.

Mr. Mathias.—How many months production does it represent.

Mr. Schele.—About three months.

President.—You seem to do with less working capital than Adamjees?

Mr. Schele.—Yes, but he gives credit for four months which is uncalled for. The match trade never had credit to that extent, it is only Adamjees who has introduced the long credit system.

President.—I know during Mr. Lim Chin Song's time a lot of credit was allowed.

Mr. Schele.—In my opinion the whole match business in India could be done on a cash basis.

Continued on Saturday the 16th April 1927.

Introductory.

Dr. Matthai.—I don't know whether it would be possible for you to give me a statement giving the sales of stock in liquidation during the past three years at specially low prices. Do you think you would be able to do that?

Mr. Schele.—There was only one instance and that was in Mandalay.

President.—I should like to know whether you would supply us with this information. That day you gave us a list of countries where prices were lower than in India. Would it be possible for you to give us your prices in all countries in which you are operating since 1918?

Mr. Schele.—I will ask the people at home about that.

President.—I think this Company was re-organised in 1917.

Mr. Schele.—That was really the year when the combine took place.

President.—So the proper year to start with would be 1918.

Mr. Schele.—Yes.

President.—I want a list of countries in which factories have been established or controlled since that time.

Mr. Schele.—Yes.

President.—Could you let me have the prospectuses each time the capital was increased?

Mr. Schele.—You have got that already.

President.—We have only the last one.

Mr. Schele.—Yes, haven't you got the previous ones?

President.—No. In 1917 was not there any prospectus?

Mr. Schele.—I don't think so, but I will try and find out. I can get you all those prospectuses, but I doubt whether they will give you any information you want.

President.—You can make a note of it and see what you can do.

Mr. Schele.—Yes.

President.—I want for both the International Match Corporation and the Swedish Match Company.

Mr. Schele.—I am sorry I have not got them. We don't get those things out to India. I will get them for you. They will be available easily in London.

President.—As regards prices I may tell you that if your Company doesn't give it, I think we should be able to get them from the Overseas Department. I want to avoid giving them trouble. The Company must take a reasonable view of it. This is information which the Overseas Department I am sure will be able to get for us, but it is no use troubling them with that.

Mr. Schele.—I suppose why they would object to giving their prices is that if this is published and say for instance Holland finds that they pay more for their matches than Denmark, then they will probably kick up a row about it.

President.—The prices are known.

Mr. Schele.—I don't know myself what the prices are. If I sell jute from India to England and Sweden and if Sweden gets to know they pay more than England, they will probably start creating trouble.

President.—Every country has got its Customs Authorities where you must declare.

Mr. Schele.—Yes, but they don't compare notes with others.

President.—The Overseas Department can get that for us. It is no use your Company raising any objection.

Agent's Commission.

I have nothing to ask you about this question 87 regarding agent's commission. That I understand is on a fixed scale or sliding scale or whatever it is.

Mr. Schele.—It is fixed scale and we pay 1·2 per cent.

President.—On the realised prices, is it?

Mr. Schele.—Yes.

Manufacturers' Profit.

President.—In answer to Questions 91, 92 and 93 about manufacturers profit you say: "It is difficult to say as the investing public in India have burnt their fingers practically every time they have been offered to take part in a match manufacturing concern." But in any case you ought to be able to say what amount of promise of dividend would attract the capital. I think in the Assam prospectus you stated 14 per cent. as the amount to be expected.

Mr. Schele.—There we were successful. That is due to the fact that the Swedish Match Company was behind the flotation.

President.—Even with a big company standing behind, you have to offer 14 per cent. to get the capital.

Mr. Schele.—We didn't actually offer that. We simply said that would be the profit.

President.—On prospectuses you don't say here "of course I will give you so much."

Mr. Schele.—If you have a profit of 14 per cent. it doesn't mean a dividend of 14 per cent. You will have to have a reserve fund and other things.

President.—It is quite true. In your Swedish Match Company itself the average dividend paid is about 12 per cent. if not more.

Mr. Schele.—In Europe, yes.

President.—That has succeeded in attracting capital.

Mr. Schele.—Yes.

President.—In this country you are making a return of 12 per cent. on the capital invested in your Company which is a big concern. Any small man wanting to raise capital would have to offer more, is that not so? Supposing I was to invest money and I say to myself: "Here are these two Companies. This is the Swedish Match Company and this is an Indian Company. The Swedish Match Company says it can give me a return of 12 per cent. It has made a return of 12 per cent. in the past so many years." If I am to invest my money, I would rather give it to the Swedish Match Company, is it not so?

Mr. Schele.—Decidedly.

President.—Apparently the rate of return expected in the Match business is higher than in other industries. You have made it so.

Mr. Schele.—That is provided of course we were there.

President.—That is true. You are always there.

Mr. Schele.—Say that we are not.

President.—You are always here in this sense that an investor will say "If I want to invest in the Match Industry, I would invest in the Swedish Match Company, because it pays 12 per cent."

Mr. Schele.—On the present value of the shares it doesn't come to 12 per cent. but it is only 5 per cent.

President.—Because you issued them at a premium recently.

Mr. Schele.—Yes, and they are quoted higher in the market.

President.—But, in the past.

Mr. Schele.—That was long ago.

President.—When you issued the prospectus in 1923, you were paying 12 per cent.

Mr. Schele.—Then also the shares were issued at a premium.

President.—Your capital has been increased by so much and now you have issued subsequent shares at a premium, is not that so?

Mr. Schele.—Yes.

President.—As your combination is new compared to what it was before, you are naturally giving 5 per cent. interest but in course of time you may be able to pay 12 per cent. if you are able to do as well as before.

Mr. Schele.—I don't think so.

President.—We can only judge by your past history. In any case in India you will have to mention that the nett profit expected was 14 per cent.

Mr. Schele.—Yes.

President.—You had to mention it.

Mr. Schele.—We have to mention the prospective return.

President.—If the Company was a good one—let me put it to you this way—well financed considering that you mentioned 14 per cent. it would have to do the same to get the money, would it not?

Mr. Schele.—I can't say.

President.—An Indian Company not of your standing would not be able to get money for less.

Mr. Schele.—I don't think so.

Dr. Matthai.—You were able to raise Rs. 2 lakhs of Indian capital in connection with the Assam Match Company.

Mr. Schele.—Yes.

Dr. Matthai.—May I know whether it would have been possible for you to get more if you had wanted it? Was it that you restricted the Indian capital to Rs. 2 lakhs?

Mr. Schele.—As a matter of fact the subscribers from outsiders were more from Europeans than from Indians.

Dr. Matthai.—Anyhow it was raised in India.

Mr. Schele.—What we did was this. We had anyhow ear-marked Rs. 3 lakhs for ourselves and we subscribed 5 times more than what we wanted. Then we took all the subscriptions which were about three times more than the capital and everybody got $\frac{1}{3}$ rd. We got $\frac{1}{5}$ th of what we subscribed and others $\frac{1}{3}$ rd of what they asked for. That shows actually that the outsiders subscribed for Rs. 6 lakhs and they got Rs. 2 lakhs.

Dr. Matthai.—So that you consider that the response to your appeal was quite encouraging.

Mr. Schele.—Very encouraging.

President.—In answer to Questions 91, 92 and 93 what do you mean here when you say: "And unless there is a distinct change for the better maintained through a number of years we do not think that capital can be obtained in the ordinary way of issuing shares even if they are 'preference'."

Mr. Schele.—I mean the public has only subscribed, because we were standing behind. I doubt very much whether we will be able to pay any dividend in the Assam Match Company. Unless there is a very decided change for the better and unless that dividend is being maintained for several years, the public won't regain their confidence in Match Companies. Suppose we have for a couple of years losses which are bound to arise if the prices don't improve over those ruling at the present moment, then everybody will be rather dissatisfied. After that confidence will be shaken to a certain extent. I would look upon the business that way if I was not

engaged in the match trade. If I had invested in tea, and I didn't get any dividend my confidence in tea companies would not be the same.

President.—I will put it to you this way. Supposing there is no provision in your Articles of Association compelling you to declare a dividend.

Mr. Schele.—No, that can't be done.

President.—Supposing you say "We shall not declare any dividend for five years so that nobody should come in." That may happen.

Mr. Schele.—How could we do that. That would not be fair to the shareholders.

President.—No, shareholders are very few. They are educated influential men and they would understand for what reason you are doing it.

Mr. Schele.—For what reason?

President.—To create the impression that the Match Industry didn't pay.

Mr. Schele.—Why should a shareholder take that line now?

President.—In order afterwards to get a bigger return. He may sit quiet for four or five years and allow the dividends to accumulate. He may get them later. It may happen that the industry may keep back, but I don't say that you do it.

Mr. Schele.—Take the Assam Match Company. How should we be able to pay better dividend by not paying dividend for some years?

President.—By lessening competition, by preventing the expansion of the industry.

Mr. Schele.—We have seen that the Match Industry in India can very easily carry on without going to the public on private initiative; because after all the capital required to cover the whole consumption in India is very negligible if you compare that with other industries. So I don't think that would work at all. Some individuals would see it through and start new match industries.

President.—You think that that can't be done.

Mr. Schele.—No. It is too easy to start match-making in India.

Dr. Matthai.—It is very difficult to start any kind of industry in India.

Mr. Schele.—But not match-making.

Dr. Matthai.—It means this. Taking your statement of about 5,000 or 7,000 gross a day as the economic unit it would require somewhere about Rs. 20 lakhs to float an enterprise in a country like India. Let me put it this way. Supposing for a period of 5 or 10 years you find that the dividend paid by Match Companies in the country has been so negligible that there is a general feeling of depression regarding match companies as a whole, that added to the usual shyness of Capital in India may mean that for a considerable period the Match Industry may make no progress in India.

Mr. Schele.—When I speak of 7,000 gross as the economic unit, you have perhaps misunderstood me a little. As far as we are concerned we have expensive machinery and European experts and with 5,000 or 7,000 gross a day, we think we can get down to low costs, but that doesn't mean that another concern with 500 gross a day cannot exist side by side with the Swedish Match Company. If a small factory makes and sells 500 gross a day, it requires less profit than a big Company with many shareholders. It happens in India that a factory on the cottage system is composed of a single family.

President.—The family also has got to live as well as shareholders.

Mr. Schele.—That is not an expensive show.

President.—That shows that if matches are to be cheaper it is better to have matches manufactured by smaller people.

Mr. Schele.—No. The big factories have the lowest prices, but that does not mean that small men cannot exist side by side with the big factories.

Dr. Matthai.—That is a temporary feature. The moment the match business is established and there are big factories turning out matches on a large scale, you will find that the small factory gradually disappears.

Mr. Schele.—Not unless the big fellow is intent on driving out the small fellow. Take any industry in any country: Take the case of England. If you go to a small town, you will find a small factory, but you will not find that in London or Manchester.

Dr. Matthai.—What kind of factory are you thinking of?

Mr. Schele.—All kinds of industries. You will find small factories in small towns. If you go to big industrial centres you will find factories working 10 times bigger.

Dr. Matthai.—If you take a textile factory you will find very often that the products turned out by the small scale business are somewhat different. A local specialised demand might keep a small scale industry going but where the small industry is turning out precisely the same kind of product as is turned out by the large scale industry it has much less chance of surviving. That is what might happen conceivably in the match industry.

Mr. Schele.—I am afraid you know more about those things than I do.

Mr. Mathias.—Unless the market served by the small factory is so remote that it is not worthwhile for the big factory to take it up.

Mr. Schele.—That really happens in the case of Japan. Suppose there is a small factory in the north of the Punjab. I think that it can exist because there is not the same high railway freight. The factory down at Bombay has to pay about 4 annas per gross to move their matches up to the north Punjab.

Mr. Mathias.—In which case the prices of the big factory would be higher.

Mr. Schele.—Yes, about four annas higher.

Mr. Mathias.—Supposing there are small factories, the limit of high prices which would be demanded by big factories would be restricted by the small factories.

Mr. Schele.—Yes, but they would compete between themselves very easily. We have a factory in Ahmedabad. We have another in Lahore which is the only factory that makes three quarter size for which there is a demand in the Punjab. As far as I can see the Lahore factory prices ought to be very high. We don't sell anything up there. All the same the prices are very low because the two factories compete.

Claim for Protection.

President.—You say in reply to question 94-A “No natural advantage except a large home market. Power is of small consequence in match-making.” Surely you don't mean that. You want to establish this industry in India because it does possess natural advantages.

Mr. Schele.—I think that with a protection of 200 per cent. you can get any industry in any country.

President.—I think that you yourselves in the prospectus somewhere have stated that it is a good proposition. You say that being satisfied as a result of experiments made during the last few years the manufacture of good matches in India is a sound commercial proposition.

Mr. Schele.—That is of course taking the tariff into consideration.

President.—Take the Indian matches made out of Indian wood. At present you find the competition very keen. Does not that show that there is some natural advantage? After all what natural advantage have you in Sweden when you bring your logs from Finland very largely?

Mr. Schele.—First of all, we are close to the match wood.

President.—Take the case of Burma.

Mr. Schele.—I don't think that wood is good in Burma.

President.—Supposing we decided that the wood was good—you admitted the other day that the matches were good—and supposing that wood could be produced in the country economically

Mr. Schele.—That would of course alter the matter altogether if there is wood close to the factory which can be used economically.

President.—There is just now.

Mr. Schele.—I don't think so. Anyway that is not our experience in Burma. I am very sorry to have to be pessimistic. Our experience there has been extremely disappointing. It is very unpleasant for me not to be able to talk to you in an optimistic manner.

President.—I don't wish you to talk in an optimistic way. We can only go by the evidence before us. Adamjee's have given evidence to show that as far as they are concerned the supply of wood has been assured for 15 years and that the supply will continue.

Mr. Schele.—We can only go by our experience. I would draw your attention to the fact that apparently a very large proportion of the wood for Adamjee has to come from the Andamans.

President.—Not a very large proportion. Even then the Andamans are in India.

Mr. Schele.—That throws a funny light on these abundant forests in Burma proper.

President.—There is no question that the forests of Burma are very rich and abundant. The only question is whether upon the present basis they can get very large quantities. They are considering the question of plantation.

Mr. Schele.—If plantation pays, if you have a country full of match plantations which are done at economic rates, I would certainly say that it is a glorious country for match-making provided the wood is suitable for producing matches.

President.—Quite true. We have shewn you the woods that they have in Burma.

Mr. Schele.—If you could get them in bulk.

President.—In that case India will have a great natural advantage.

Mr. Schele.—If there were abundant supplies, it would certainly be looked upon as a natural advantage. I must say that so far as plantation is concerned, it is not a natural advantage.

President.—Your experience in Burma has been not as good as Adamjee's.

Mr. Schele.—Or rather we are more inclined to face facts than others.

President.—In your case it is not necessary for you to buy Indian wood because according to your own statement you get your wood from your own forests. There is not much incentive for you to use any Indian wood as far as I can see.

Mr. Schele.—We use Indian wood for boxes because it is cheaper.

President.—I am talking of splints.

Mr. Schele.—If Indian wood is cheaper for splints, we will use that too.

Mr. Mathias.—So far as boxes are concerned, would you admit that India has a natural advantage?

Mr. Schele.—I doubt very much whether supplies would be sufficient. If it was guaranteed that supplies would be maintained for, say, 15 years, I would say that there was natural advantage.

President.—There is a case in Burma.

Mr. Schele.—Not in our experience.

President.—What I am trying to point out is that so far as timber is concerned you land in Bombay from your own forests in Sweden apparently

at very low rates and that therefore you are not under the same incentive to explore Indian wood as Adamjee Hajee Dawood.

Mr. Schele.—He can also land at the same rate.

President.—If he could find wood in Burma, he would get it cheaper.

Mr. Schele.—If we find Indian wood cheaper, why should we import?

President.—Your biggest factory is in Bombay.

Mr. Schele.—We are also in Rangoon.

President.—It is not necessary for you to manufacture matches in Rangoon. You can manufacture them in Bombay.

Mr. Schele.—You know what the freight is on matches. We have to be near the markets. That is why we have a factory in Rangoon to cater for that market.

President.—Your conditions are not as bad as those of a manufacturer in Burma. Your biggest concern is in Bombay, is not that so, where you can depend on your own forests.

Mr. Schele.—Another thing is that Aspen in Rangoon is not more expensive than in Bombay.

President.—It is expensive compared to the wood that he is getting now.

Mr. Schele.—The same holds good in Bombay.

President.—In Burma it is cheaper for him to use Burma wood than to use Aspen.

Mr. Schele.—I am not so sure.

President.—That is his case. I am trying to point out to you what we have been told.

Mr. Schele.—I think he is wrong there. I am of opinion that he will get better price and more production. That is why we imported Aspen last year and made experiments.

President.—Anyhow that is his case. It is cheaper for him to get Burmese wood at Rs. 35 to Rs. 40 than to pay Rs. 150 for Aspen in Rangoon as he was doing before.

Mr. Schele.—It is our case as well in Rangoon.

President.—It is more advantageous for the country at large to use Indian wood. Although as you say if he used Aspen he made it up by the extra price, yet from the point of view of the country he is using Indian wood and producing matches cheaply, the country has the benefit of cheap matches.

Mr. Schele.—If the standard is not lowered.

President.—The matches shewn to you are all of good quality.

Mr. Schele.—They are not. It is a very small advantage to the country if you consider what the Forest Department will make in the shape of royalty on that extra quantity for splints.

President.—You have extra royalty.

Mr. Schele.—I have calculated that the average royalty that would be paid if all match factories used exclusively Indian wood be only 1½ lakhs. If the consumption in India is as you Mr. President worked out about 20 million gross, it would mean Rs. 30 millions revenue if there were only imported matches used in the country. I say that Rs. 3,00,00,000 would be of much more benefit to the country than trying to keep an industry which has really no business to be in the country. That is how I would look upon it as a tax-payer.

President.—There are other ways of looking at an industry.

Mr. Schele.—Why should one bolster up a thing which can never be a success.

President.—Why not?

Mr. Schele.—I consider that the match industry will not be a success in India.

President.—You have yourselves started it.

Mr. Schele.—That is a mistake.

President.—Is it your mistake?

Mr. Schele.—Yes.

President.—That is another matter.

Dr. Matthai.—Don't you think that it is rather unsafe to base any conclusion with regard to the future of a big industry like the match industry on three years' experience.

Mr. Schele.—I am thinking of this internal competition that will apparently always exist in this country. It is easy to make bad matches but it is very difficult to make high class matches. That is the reason of our supremacy all over the world. In other countries we have been invited to come in and put their match industry on a proper footing.

Dr. Matthai.—I don't question that at all. The existence of a number of small factories is an inevitable feature in the beginning. Ultimately a time will come when the large factories will practically have the field to themselves and that is the stage when you will find over-production will begin to disappear. You and two or three others producing on a really economic basis will be the only people left. With the present over-production unhealthy competition is inevitable and on that I would not base a pessimistic conclusion.

Mr. Schele.—I am very glad you say this, because that is really what is unreasonable about the present complaints. Those who are equipped with bad machinery, insufficient capital, insufficient experience are causing this present confusion. I quite agree with you when you see a future in India when these people who are not fit to make matches should cease to exist, only the big factories remaining, that would be a much more attractive proposition. But that is of course an optimistic view.

President.—It is not any more optimistic than the prospectus of your company!

Mr. Schele.—One has to be optimistic in prospectuses.

President.—That may be so. That is the history of all industries, that when production has succeeded it must lead to a certain amount of over-production for a little time and things will settle down.

Mr. Schele.—Unless you get big combines I think you will find that no industry will ever settle down.

President.—Combine is a post-war invention altogether in this country.

Mr. Schele.—You mean India?

President.—Yes.

Mr. Schele.—Unless you get big companies in combine who work together to get the same selling rates and sell at the same price and who will not enter into unfair competition, you will always have trouble.

President.—It remains to be seen how long they are going to continue.

Mr. Schele.—There must always be some co-operation among people engaged in the same occupation.

President.—The whole case is briefly this, does the industry at present require protection against foreign competition? You yourself say it does. The question in that case is, what protection does it require? That we are enquiring into and on that point, I think, we have not received sufficient assistance from you as to what protection it requires.

Mr. Schele.—Would you mind pointing out the points where I have not given satisfaction?

President.—Costs, and cost is the basis of our enquiries.

Mr. Schele.—When you have got other costs from other factories in November, I may be able to help you after consulting my head office when

I go to Sweden. The enquiry is now at a preliminary stage; when we both come back from Europe, it is very likely I may be able to satisfy you on this point.

President.—I am talking of the present position.

Mr. Schele.—Personally I have no objection at all to give it to you. Why I don't do so now is because after all I am responsible to the higher authorities.

President.—We shall revert to it once more. I should just explain to you that the cost are necessary so far as we are concerned. Then we have got to consider whether the industry would eventually be able to do without protection. On that point you say "No" and the reason for that is that in your opinion the industry is not economically organized.

Mr. Schele.—Yes. It will never have the same advantage as the industry in Sweden. That is my honest opinion. My reason for saying this is that the advantages for the match industry in India will never be as good as the advantages in Sweden.

President.—That may be so, but you can say that of any country in the world to-day so far as the match industry is concerned.

Mr. Mathias.—In giving that reply have you taken into consideration the factor of freight on Swedish matches?

Mr. Schele.—Certainly.

Mr. Mathias.—And also the 10 per cent. duty?

Mr. Schele.—I have not taken that into consideration.

President.—The point arises in this way. You will admit that no country in the world to-day can carry on business as successfully as you because you have done it for a very long time. But so far as India is concerned, supposing there was nobody else in the field except yourselves here for making matches or importing matches here and Government say "we want a revenue of Rs. 1-8-0". Your matches are being sold in the country to-day with the duty at Rs. 2-10-0.

Mr. Schele.—Yes, for full size.

President.—That is the price at which India would get its matches if there was no competitor. But to-day India is able to get its matches at Rs. 1-10-0. Can't we say then that it is not necessary for India to be as well organized as yourselves when with all your organization you are not able to sell your matches at below Rs. 2-10-0.

Mr. Schele.—You don't pay us Rs. 2-10-0.

President.—I am speaking as a consumer: why should the consumer pay you Rs. 2-10-0.

Mr. Schele.—The consumer does not pay Rs. 2-10-0 to us; he pays Rs. 1-8-0 which goes to Government and Rs. 1-2-0 to us. It is up to the consumer to say "I am a tax-payer, I pay Rs. 1-8-0 to the Government, what do I get in return"?

President.—I am not discussing the question of revenue policy. I am speaking from the point of view of the country.

Mr. Schele.—You cannot criticise me for having a price of Rs. 2-12-0. That is not our price; that is the price in India after the duty has been added.

President.—Your having come into the country does not make matches cheaper. I am suggesting to you that with all your organization and everything else the consumer in India will not get his matches under Rs. 2-10-0.

Mr. Mathias.—Let me put in this way. Your price is Rs. 1-4-0 without duty?

Mr. Schele.—Yes, but including landing charges, agents' commission, etc.

Mr. Mathias.—We must assume that the general level of revenue duty is 10 per cent. We must assume that in any case, whatever happens, whether

this industry requires protection or not, this 10 per cent. duty means an addition of 2 annas which brings your price to Rs. 1-6-0. Do you consider it impossible that the Indian manufacturer will be able to produce matches at Rs. 1-6-0 or ever lower?

Mr. Schele.—We were talking about the full size. Rs. 2-10-0 is not our price. We sell at shillings 1/8 and in some ports at shillings 1/8 and we make a profit on the sales.

Mr. Mathias.—I am talking of the price with a fair return of profit in each case. If you can sell at Rs. 1-6-0 with a fair return of profit do you think it would be impossible for the Indian manufacturer in course of time to produce good matches at that price with reasonable profit? You have very large experience as match manufacturer. You have seen how costs have gone down during the last four years.

Mr. Schele.—I will put it this way. If you take the cost of production in Japan, Sweden and other match manufacturing countries and add reasonable profit and freight to India, and then compare that with the prospective Indian price with the addition of a reasonable profit, the Indian price, in my opinion, will always be higher.

President.—Would you not allow for the 10 per cent. duty?

Mr. Schele.—I don't think 10 per cent. duty would cover the difference; for argument's sake we may say that 25 per cent. will cover the difference.

Mr. Mathias.—So that roughly what you say is that, if imported matches can be sold with the 10 per cent. duty at Rs. 1-6-0, Indian matches will not be able to sell at a profit at much lower than Rs. 1-8-0?

Mr. Schele.—That would mean that the importer to-day had only a certain profit, but we do not know what is the margin of profit outside India. He may be making 5 per cent. or 50 per cent.

President.—We can only go by the import price. We have no means of finding out whether you are making any profits or not.

Mr. Schele.—Exactly except that we can assure you that we are not making a loss.

President.—Therefore we cannot assume that you would go on reducing the price and incur loss.

Mr. Schele.—That is out of the question.

President.—Therefore we must assume that at present Rs. 1-4-0 c.i.f. is about the price at which you can sell without a loss?

Mr. Schele.—That is the lowest price which the exporter is willing to quote, that is how I would put it.

President.—If we take that as the price then, as Mr. Mathias has pointed out, with a 10 per cent. revenue duty it will come to Rs. 1-6-0. If Indian matches can sell at Rs. 1-8-0 they are not very far out and therefore they can do without protection, isn't that so? These figures suggest that if they can come down to Rs. 1-6-0 they will do without protection and therefore, at Rs. 1-8-0 they will require perhaps 10 per cent. more.

Mr. Schele.—That is so. My only reason for putting it that way is that I do not want it to be put on record with the Government of India that in 1927 I said that the Indian match industry would be able to hold its own without protection, when I don't believe it.

Mr. Mathias.—We are not talking of the present at all. We are talking of the distant future.

Mr. Schele.—Even in the distant future I don't want it to be said that in the year 1927 I said this.

President.—Is it not reasonable to expect that if with the revenue duty the Indian manufacturer is, say, within 2 annas of it now, then in 10 or 15 years' time he will be able to hold its own?

Mr. Schele.—I don't think it is unreasonable.

Dr. Matthai.—Apart from these figures, if you take the cost of production in Japan and Sweden and add to that a fair margin of profit, freight and revenue duty of 10 per cent., even then do you think there would be a margin of about 20 or 25 per cent. still.

Mr. Schele.—I was saying that for argument's sake. I have that idea in my mind and I think I am justified in saying that.

Dr. Matthai.—I would like to know what you precisely mean. Do you mean that even then there would be a margin which would take many many years to cover. Is that your point?

Mr. Schele.—Yes, because once you come to a point which is favourably low, it takes a long time to come down lower.

President.—Supposing the Indian fair selling price is Rs. 1-8-0 then in 10 years' time would it be too much to expect it to come down by another 10. or 15 per cent.?

Mr. Schele.—All this is guess work.

President.—This is not guess work. You had not the figures when you wrote your reply. I am giving you the figures. Take them from me.

Mr. Schele.—I had not those figures when I replied to the question.

President.—Supposing for the sake of argument to-day the fair selling price is Rs. 1-8-0 and the foreign matches can be sold at Rs. 1-6-0, then there is a difference of about As. 2.

Mr. Schele.—Our price of full size matches is 1s. 7d. to 1s. 8d.

President.—We compared Rs. 1-4-6 with Rs. 1-8-0.

Mr. Mathias.—You have to add 10 per cent. on that. It comes to Rs. 1-6-0.

Mr. Schele.—Yes, were we not then talking of half size?

President.—No, full size. Supposing we found that the fair selling price ought to be Rs. 1-8-0 for full size Indian matches then the difference is only As. 2. Then we say "all right, let them have As. 2 just now." But we think in ten or fifteen years' time the cost will come down by As. 2 or As. 3, would that be unreasonable?

Mr. Schele.—That depends on what factory you are taking.

President.—We will take a fairly well equipped factory, e.g., Adamjee's.

Mr. Schele.—I would say he ought to come down. His prices are very high. The factory is very badly organised at present. If you take Esavi Match factory, I would say that prices have come down to the rock bottom. 10 years would make no difference in their case. Probably in 10 years their prices would go up, because Indian Factories don't look after the machinery as we do.

Mr. Mathias.—Is their price below Rs. 1-8-0?

Mr. Schele.—They sell much higher. They are making bigger profits.

Mr. Mathias.—There is one other small point. You said yesterday that the price of aspen had fallen considerably in Sweden.

Mr. Schele.—Yes, whereas it has really gone up in the case of Japanese aspen.

Mr. Mathias.—Have you any reason to expect that it would continue to fall?

Mr. Schele.—I can't say, because I am not conversant with that.

Mr. Mathias.—If there are no plantations for aspen, taking a long view, do you think that the price of aspen would go up?

Mr. Schele.—I will say more about that when I come back. In Russia you have got tremendous supplies of aspen. As you know Russia is disorganised at present.

Mr. Mathias.—When it is organised, it becomes a State monopoly and the price may go up.

Mr. Schele.—I have no knowledge of that. It doesn't interest me. I get my aspen out here and make my matches. I have given you my c.i.f. prices. I don't think I am entitled to speak more on this.

Mr. Mathias.—As has been said in some papers owing to an enormous increase in the production of matches, the supply of aspen—as also of soft wood for paper—is likely to be exhausted in the next 10 or 12 years. If that is so, the price of imported matches might go up.

Mr. Schele.—If that theory should prove correct, it stands to reason that the imported matches might be very expensive.

Mr. Mathias.—May I put it to you this way? Even if there is a slight chance of the supplies of aspen becoming exhausted or of any monopoly control being obtained over that, it would be from the national point of view desirable to develop the use of Indian wood for the manufacture of matches. Not only in India, but in any country where there are at present big supplies which may be used for matches and where there are any prospects of plantation, it would be a sound proposition to develop those sources of supply rather than to depend on aspen wood imported from Sweden or Russia.

Mr. Schele.—That is a general principle to be adopted in the case of any article where the supplies may become short.

Mr. Mathias.—You will agree to that general principle.

Mr. Schele.—Nobody can argue against it.

President.—It is your principle also.

Mr. Schele.—Yes.

Mr. Mathias.—You would be able perhaps when you come back to give us more information about the supply of aspen.

Mr. Schele.—I would look into it. I know that they take a very optimistic view of it at the Head Office. I think it is mentioned in Mr. Kreuger's speech in London of which I have given you a copy. What he has said there is naturally the correct position. I don't remember exactly what he said. I think he gave very definite assurances.

Mr. Mathias.—Is aspen used for any other purpose besides match-making?

Mr. Schele.—Not in Sweden, because we have got so many other soft woods which can be used for pulp, paper case boards, etc.

Mr. Mathias.—It is not used for any big industry like the paper industry.

Mr. Schele.—No. They use pine wood for paper.

Mr. Mathias.—Have you any reason to suppose that as the sources of the supply of aspen are getting more and more distant, the cost of extraction would become larger and larger?

Mr. Schele.—No, I don't think so.

Mr. Mathias.—Why is that?

Mr. Schele.—Because those forests are close by big rivers. When it comes to floating, the length of the floating doesn't count.

Mr. Mathias.—It is all water transport.

Mr. Schele.—Yes.

Mr. Mathias.—Does that apply both to Russia and Sweden?

Mr. Schele.—Yes.

President.—With reference to your answer to question 95 (b) the question is—"Do you claim that it is probable that in course of time the whole needs of the country could be supplied by the home production" and you say: "No, unless protected to the extent of a prohibitive duty". That, I think, you will modify now. The duty will not have to be prohibitive on the figures I have given you.

Mr. Schele.—That depends on what you call a prohibitive duty.

President.—Then what do you call 'a prohibitive duty'? A protected duty of 100 per cent. may be prohibitive but a revenue duty of 200 per cent. may not be prohibitive, and here it is not as much as that.

Mr. Schele.—Of course this is only a theoretical reply.

President.—Now we are coming to the practical aspect of the question.

Mr. Schele.—Even now it is a theoretical reply as I have tried to explain my views on the first occasion when I was asked. It depends exactly on how much share of the total consumption the local industry requires. If you require 100 per cent., you must go to the length of more sacrifices than if you require 90 per cent. You said for instance if a merchant in a village would like to cover the whole consumption in that village, he would have to sell his products at the lowest price in order to achieve his object. There would always be some people who are willing to pay a high price for their matches. My contention is that there would always be a certain percentage, say $\frac{1}{2}$ or 1 per cent. in India who are willing to pay a higher price in order to get the imported matches. That is why I have given that reply.

Dr. Matthai.—It is purely a theoretical reply.

Mr. Schele.—Yes.—For instance there are a lot of British people who take special measures to get Bryant and May's matches out here. It is a very small percentage. I would say it is perhaps 0.2 per cent. of the total population and they pay very high prices for their matches.

President.—We don't take faddists into account. We would say, "If you do 90 per cent., you have done well".

Mr. Schele.—Then the word 'prohibitive' goes out.

Dr. Matthai.—What you practically say is this that unless you legally prohibit the importation of matches, there will always be a small number of people who will pay a higher price for matches. We are concerned with the bulk of the country's demand.

Mr. Schele.—The whole thing then comes in a different light.

President.—You have not said anything about the claim for protection, but I find in your Director's report (which you have not signed, but which Mr. Best has signed) the following sentence:—

"At the same time as your Directors hope that due consideration will be given to continued protection in view of the inherent natural difficulties which exist for this industry in India, they trust that some arrangement can also be made to prevent the existing overproduction of matches".

Leave alone the question of overproduction. This Company is in favour of the continuance of this duty, is that right?

Mr. Schele.—It must.

President.—I am asking you whether you abide by that or not.

Mr. Schele.—Yes, as a Managing Director of the Assam Match Company. How can I go against it?

President.—So far as this Company is concerned, do you think that protection should be continued?

Mr. Schele.—Absolutely, otherwise we would have to fail our shareholders to a great extent.

President.—Then you talk of overproduction. I shall deal with this when I come to the Assam Match Company. One of the questions that we have got to consider is that since you and others have been manufacturing matches in the country, there has been a considerable drop in Government revenues. When Government put on the duty, it never thought of anything else except its own revenues. They budgetted at the rate of Rs. 1-8-0 per gross on imported matches for a revenue of Rs. 1½ crores. Now that revenue is steadily

going down and it must go down if production increased in the country, is it not?

Mr. Schele.—Yes.

President.—Then we may have to consider how that revenue is to be made good whether by increasing the duty on the imported materials or by levying an excise duty. Assuming that this revenue duty of Rs. 1-8-0 was to be continued and we came to the conclusion that the loss to the revenue amounted to Re. 1 a gross then in order to keep the position the same, that is to say a difference of Rs. 1-8-0, we may have to suggest an excise duty of Re. 1. I am only putting this to you as an argument.

Mr. Schele.—I quite understand.

President.—And the Customs duty will have to go up to Rs. 2-8-0 to maintain the difference and to give you the protection that you want.

Mr. Schele.—I would not say that. I have not mentioned any particular figure.

President.—Assuming that Rs. 1-8-0 is the amount of protection required.

Mr. Schele.—Yes, assuming that, it stands to reason.

President.—The excise duty will be Re. 1 and the import duty will go up to Rs. 2-8-0.

Mr. Schele.—Yes, otherwise you don't keep the balance.

Levying an Excise Duty.

President.—How do you suggest that the excise duty should be levied? I want to know your experience. You have plenty of experience of excise duty in other parts of the world.

Mr. Schele.—I am afraid I have not got much experience in other parts of the world.

President.—Your Company must have it.

Mr. Schele.—My Company's experience is not exactly mine.

President.—Have you no experience at all of how the excise duty is levied in other parts of the world?

Mr. Schele.—I know superficially. I know for instance that some countries have stamps on each box. They just count them in the factories and they have to rely on the excise staff.

President.—I am asking you what is the simpler method. So far as India is concerned considering that there are so many of these smaller factories, which would be the easier method both for the Government and for the manufacturer?

Mr. Schele.—I would say decidedly the easiest would be to have stamps, but even then I don't think it would work.

President.—What is your reason?

Mr. Schele.—It is very easy. If any one wants to infringe against the rules, he may take it into his head to forge the stamp.

President.—We must presume that there is no forgery of stamps.

Mr. Schele.—Matches may be sold without stamps largely in remote villages.

President.—It only requires supervision on the part of the Customs Authorities.

Mr. Schele.—It is a very big thing to supervise.

President.—Supposing no matches were allowed to be sold in the country unless each box had a stamp on it, then how could any match box be sold?

Mr. Schele.—If you were sure that there could be no forgery of stamps, it would be rather a good thing.

President.—We must assume that there will be no forgery. Is there any other fraud that you are thinking of?

Mr. Schele.—Anybody handling matches without stamps on them should be subject to a very heavy fine.

President.—That would be so.

Mr. Schele.—Then those stamps should be obtained only from the Government Stamp Department.

President.—Yes, that would be so.

Mr. Schele.—If these things were assured I don't see how anything could happen. That is what they do in Greece, where every box has got a stamp. There are special machines for that purpose. It is quite cheap to put them on.

President.—You can put the stamp on as you make it.

Mr. Schele.—No, it has got to be done separately.

President.—It is not a costly process.

Mr. Schele.—No.

Mr. Mathias.—Do they manufacture in Greece on a large scale?

Mr. Schele.—They don't manufacture at all. They get all their supplies from the Swedish Match Company.

Mr. Mathias.—It is your factory that puts on the stamp?

Mr. Schele.—Yes.

Mr. Mathias.—Do you purchase your stamps from Greece?

Mr. Schele.—We make them now.

Mr. Mathias.—You pay for them, don't you?

Mr. Schele.—We sell the whole thing to Government. It is a Government monopoly. They do the distribution.

Mr. Mathias.—It is not really an excisable article strictly speaking.

Mr. Schele.—It is a tax on the population. The price is increased.

Mr. Mathias.—It is a tax. But it is not an excise tax on the manufacture.

Mr. Schele.—No, you are right.

President.—The same procedure can be introduced in the country itself. Is there any objection to that?

Mr. Schele.—No, as long as you make it fool proof.

President.—So far as your big production is concerned, I suppose there would be no difficulty.

Mr. Schele.—No.

President.—Everybody who wants the stamps will have to go to the post office or some other place and get them.

Mr. Schele.—Yes.

President.—Do you think that there will be any difficulty in detecting the fraud in a *panwalla* or *biriwalla* shop? They will have some special inspecting staff to see whether the matches sold in those shops contain labels.

Mr. Schele.—I think that everybody will have his name on the label of the match showing that it is his match, and if you levy a very heavy fine on persons dealing in matches without stamps, the manufacturer will take jolly good care to see that no matches leave his factory without stamps. If you go to a *panwalla* and find that a match box is without a stamp, you must see whether the stamp has been affixed or not, or whether the stamp has just come off, etc.

President.—You must assume that the whole thing will be reasonably carried out.

Mr. Schele.—Yes.

Mr. Mathias.—Do you think that there is a possibility of the evasion of the Customs by matches being sold in bundles? They could strike them on old boxes.

Mr. Schele.—No.

President.—That could be stopped when it happens.

Mr. Schele.—Yes.

President.—Do you think that each label must contain the name of the manufacturer or do you suggest that labels should be registered?

Mr. Schele.—That is my idea. All manufacturers should register their labels.

President.—Then, of course the manufacturers will take good care to see that the boxes do contain the labels.

Mr. Schele.—So it seems to me.

Organisation of the Swedish Match Company.—Capital.

President.—The Swedish Match Company, I understand, was started about 1917-18.

Mr. Schele.—Yes, in its present shape and under that name.

President.—Before that I take it that the parent company was the Jonkoping and Vulcan Match Company.

Mr. Schele.—You cannot call that a parent company. There were two distinct groups, viz., United Swedish Match Factories formed in 1913 and the Jonkoping and Vulcan Match Company formed in 1903.

President.—There are altogether about 20 factories.

Mr. Schele.—There were more.

President.—One group was absorbed by the United Swedish Match Factories and the other by the Jonkoping and Vulcan Match Company.

Mr. Schele.—Yes.

President.—When were these two companies amalgamated?

Mr. Schele.—In 1918.

President.—They were competing against each other and then they came to an understanding and formed the Swedish Match Company.

Mr. Schele.—Yes.

Dr. Nathai.—Why do you call it a Match Company? It has nothing to do with the actual manufacture of matches.

Mr. Schele.—The Swedish Match Company is running the whole business.

President.—The United Swedish Match Factories and the other Company have a number of subsidiary factories, with regard to which the Swedish Match Company does the buying and selling.

Mr. Schele.—The factories sell their products to the Swedish Match Company and the Swedish Match Company sell the products to the outside world. The Swedish Match Company also buy materials and sell to the various factories.

President.—Since 1919, the position has been that there is no independent company in Sweden at all.

Mr. Schele.—No.

President.—The whole thing is now under the Swedish Match Company.

Mr. Schele.—Yes.

President.—The capital of the Swedish Match Company was only 3 million crowns up to 1916.

Mr. Schele.—Yes.

President.—In 1917, it went up to 6 million crowns.

Mr. Schele.—“Prior to 1918 the above statement represents the position of the Jonkoping and Vulcan Match Manufacturing Company only”. That is just one group because they have not been able to consolidate the figures.

President.—The United Swedish Match Factories Company have already come in in 1917.

Mr. Schele.—It is all one now.

President.—From 6 million crowns in 1917, the capital went up to 45 million crowns in 1919.

Mr. Schele.—No, that is wrong.

President.—When did your capital become 45 million crowns?

Mr. Schele.—When they all combined.

President.—That was in 1918.

Mr. Schele.—Yes.

President.—In 1918 you definitely raised the capital to 45 million crowns.

Mr. Schele.—It was always in existence before.

President.—Was it?

Mr. Schele.—Yes, and even more. Some of these factories were over-capitalised. Probably we had in the Swedish Match Company 100 million crowns before the very first amalgamation.

President.—Then the capital was again increased in 1923. It became 90 million crowns.

Mr. Schele.—Yes.

President.—That was issued in Sweden only.

Mr. Schele.—Part of it was issued in London also.

President.—In 1924-25 you have added another 90 million crowns, thus raising the capital to 180 million crowns.

Mr. Schele.—Yes.

President.—This year again the capital has been raised by another 90 million crowns.

Mr. Schele.—Yes, that makes 270 million crowns.

President.—In the meanwhile you started the International Corporation. That was done in 1923.

Mr. Schele.—Yes.

President.—What they did then was that the Swedish Match Company transferred their holding of about 15 million crowns to the International Match Corporation in 1923, is that correct?

Mr. Schele.—I do not know much of these things. That really is outside my sphere. I don't think I am justified in speaking on matters I do not know about. But this is a question on which I may be able to get more information for you. I think the "Financial News" and the "Financial Times" in London write very explicitly about our concern and if you refer to these papers you will find all that you want. As it is, everybody in London knows everything about the Swedish Match Company.

President.—It is rather a pity because I wanted to understand from an expert as I find it very difficult to follow the history of this company. As far as I can see. The Swedish Match Company was the parent company in this case and it floated this other company that was floated in America, was it not?

Mr. Schele.—Yes.

President.—And in that the Swedish Match Company has a controlling interest: it owns a majority of shares?

Mr. Schele.—Yes.

President.—What are the arrangements as regards the working of the Company?

Mr. Schele.—As far as I can see the International Match Corporation are running our American interests.

President.—In the Far East also?

Mr. Schele.—That is probably a financial arrangement.

President.—You say in the Prospectus "In the Far East the International Match Corporation has already secured the control of some very important match factories and negotiations for an extended influence in the match business in that part of the world are progressing in a satisfactory manner".

Mr. Schele.—Apparently it has been found opportune from the financial point of view to let the International Match Corporation finance the purchases made in the East and the Far East.

President.—And in America and Canada also. In Canada they bought a big company, did they not?

Mr. Schele.—Yes.

President.—The Swedish Match Company, I take it, operates chiefly in European countries and India, Burma and Ceylon?

Mr. Schele.—Also America, Australia, South America, East Africa—I should say almost all the world over. This is a financial arrangement. You must remember Sweden is a small country of five million people; you can't raise much money in Sweden, and this is the way of interesting American investors who have got very large amount in our concern. That is the whole thing.

President.—I want to know whether this company operates or whether the Swedish Match Company operates.

Mr. Schele.—As far as I can see the International Match Corporation covers America and Canada and apparently the Far East which is Japan and China.

President.—And the Swedish Match Company takes the rest of the world. That is what it comes, does it not?

Mr. Schele.—Yes.

President.—It really comes to this then, that the Swedish Match Company itself controls the whole of the world.

Mr. Schele.—Not controls but has a leading part.

Dr. Matthai.—You account for about two-third of the world's consumption.

Subsidiary Companies.

President.—Now, the Swedish Match Company has got a controlling interest in the International Match Corporation, and when companies are floated in other parts of the world, I understand that ordinarily the Swedish Match Company keeps also a controlling interest in the subsidiary companies. Is that correct?

Mr. Schele.—We just give them the benefit of our experience.

President.—Wherever any company is floated in any part of the world in which the Swedish Match Company is interested, it has a controlling interest. That is to say it generally owns a majority of shares and thereby a majority of voting power.

Mr. Schele.—It is very difficult for me to answer that. I am not conversant with the details of working of our head office at Home because I have been out of Sweden for nearly four years.

President.—This is what I gather. You will get a copy of this evidence and you can make any corrections you like. I am simply trying to understand the position. What I make out from the prospectus is this: first of all the average nett profits earned by the Swedish Match Company Jonkoping and the Vulcan Match Company during the last 21 years have been 25 to 17 per cent. on common stock. That is correct I suppose?

Mr. Schele.—It must be if it is in the prospectus.

President.—And in none of the last 17 years has the nett profits been less than 17 per cent. The average dividend rate during the last 21 years has been over 9 per cent. per annum and during the last 11 years it has been 11-17 per cent. per annum. In addition to that the International Match Corporation is said to have made a nett profit in 1921 of 3.6 million dollars on sales of 14 million dollars in 1922, 3.6 on sales of 15 million dollars in 1923, 3.9 million dollars on sales of 16 million dollars and in 1924, 4.8 on sales of 20 million dollars. That profit is in addition to the profit of the Swedish Match Company, but that profit is included in the profits of the Swedish Match Company on its own holdings, is it not so? I am not clear on this point, because in order to ascertain the profits of the International Match Corporation as such you have got to deduct the profits of the Swedish Match Company on its own holdings in the International Match Corporation.

Mr. Schele.—No. We are shareholders. What I mean is this. The International Match Corporation has got a balance sheet. If they show a profit of 10 million dollars, then the directors meet and declare they will put away so much for reserve, so much for taxes and so on and then they decide to pay a certain dividend. With an assumed dividend of 10 per cent. if the Swedish Match Company has got shares for 2 million they get 200,000 dollars dividend which is shown in their profits.

President.—Is the profit that the two companies make between themselves—first of all you have got the profits of the Swedish Match Company on this side (balance sheet shown).

Mr. Schele.—Then you have got to deduct the dividend from the International Match Company from the Swedish Match Company's profits and you get their profits irrespective of the International Match Company.

President.—I have no means of finding that out.

Mr. Schele.—You can get that from the "Financial News" or the "Financial Times." Or if you go to any American Bank they will tell you what the International Match Corporation paid.

President.—As regards the Swedish Match Company, it does not itself manufacture any matches, does it?

Mr. Schele.—No.

President.—How does it exactly operate?

Mr. Schele.—I have not much experience of the working at our home office. My business is in India. If you ask me anything about our position in India I know what I am talking about. Here we are enquiring into conditions of the match industry in India and I do not understand why you are asking me questions regarding the operations of the Swedish Match Company or the International Match Corporation in other parts of the world.

President.—We are enquiring into this question of Trusts and I want to understand how it works. It may be it is not a Trust in that sense?

Mr. Schele.—Would it not be sufficient for me to tell you how it operates in India? I am quite prepared to give you all possible information you ask for as to how we operate in India.

President.—It does not operate differently in India when compared to other countries? How does it manufacture matches?

Mr. Schele.—I do not know much about our operation at Home. I am quite prepared to facilitate your investigation as much as possible on that subject if you ask me about the position in India about which I know.

President.—It is for you to consider how much you are going to answer and how much you are not going to answer.

Mr. Schele.—The question is: "Can I answer?"

President.—If your knowledge is confined to India, Burma and Ceylon, say that your knowledge is confined to those parts.

Mr. Schele.—Yes, chiefly, to those parts.

President.—How does it operate in India as regards manufacture?

Mr. Schele.—We make our matches and sell them.

President.—That is not the point. How does the Swedish Match Company operate?

Mr. Schele.—The Swedish Match Company has got, as I said in my reply to the questionnaire, all the shares in some Companies. In other Companies they have got less as in the case of the Assam Match Company. If they show a profit (this has not happened yet) the Swedish Match Company will get the dividend on their shares and in that way the Swedish Match Company will benefit by the prosperity of their Companies in India.

President.—The Swedish Match Company has got five separate match factories. You have got the Assam Match Company and then you have got the Western India Match Company. Both these are controlled by the Swedish Match Company.

Mr. Schele.—All are.

President.—What I wanted to know is this. Are the accounts of these Companies kept separately as between themselves?

Mr. Schele.—In accordance with the Company law, a registered Company must have separate accounts.

President.—I know. That is to say the interests of each Company are separate.

Mr. Schele.—Absolutely.

President.—But so far as the results are concerned of all the Companies in the parent Company the interests are not shown separately.

Mr. Schele.—No, but of course they will have records. Say that I remitted home Rs. 1,00,000 in the shape of dividend. They will probably ask me for a specification how that dividend has been composed, wouldn't they? Thus they would have a record at the parent Company's office.

President.—Supposing one subsidiary Company incurs a loss

Mr. Schele.—That Company doesn't pay a dividend.

President.—The bulk of the dividend belongs to you.

Mr. Schele.—Yes, if we have a majority.

President.—But you have a majority in that case.

Mr. Schele.—Yes.

President.—Can you give me instances in which any match factory has been closed down which had a separate account?

Mr. Schele.—The Mandalay factory had a separate account.

President.—There were no shareholders in it.

Mr. Schele.—No.

President.—That was your own concern.

Mr. Schele.—Yes.

President.—I am talking of a Company where so far you have other shareholders.

Mr. Schele.—We have only one Company in India where there have been outside shareholders and that is the Assam Match Company. In the Burma Match Company we have two outside shareholders, Sir Annamalai Chetty, Madras and Sir J. F. Simpson; otherwise we have no outside shareholders anywhere and never had.

President.—But you can close down the factory, because you have a controlling interest there. They can't do anything.

Mr. Schele.—We would naturally have a Director's meeting and decide the question.

President.—When the Directors meet, you have got the controlling vote and you can say that you are going to close down.

Mr. Schele.—If you have got full power, you can always do what you like.

President.—But you can close it down.

Mr. Schele.—Of course we can. If you have got full power, you can do what you like in anything. Then comes the question whether it is right or not.

Sales Organisation.

President.—As regards the sales organisation how does the Swedish Match Company operate here?

Mr. Schele.—We have got agents up-country and we have got canvassers and inspectors.

President.—Does the sales organisation buy the matches from the factories and then sell on its own account or what does it do?

Mr. Schele.—We are doing that now.

President.—My point is this. You buy the production of each factory.

Mr. Schele.—We do now, because it simplifies the account. We didn't do that before. First we had all the factories selling their products themselves. We wanted to know how each factory was doing every month. We found that we could not get the costing accounts in time on account of the sales. That was why we took the goods from the factories. Now we know exactly what the factory is doing every month and further accounting is done by the parent Company.

President.—You buy the whole production.

Mr. Schele.—Yes.

President.—Do you fix your price yourself or do the Companies themselves fix?

Mr. Schele.—We fix the price between us. This doesn't take place in the case of the Assam Match Company. That Company sells itself. We can't do that. The other things are for our convenience. Being a private company we do as we like. The Assam Match Company being a public company sells its own products direct to Messrs. Forbes, Forbes Campbell and Company at Calcutta.

President.—At prices arranged between themselves.

Mr. Schele.—Yes, prices depend on the market conditions. If we can get Rs. 1-10-0, we will sell at that price. If we cannot get that, we will have to reduce our prices. If the rates become too low, the Assam Match Company will make a loss.

President.—So far as the other Companies are concerned, I take it there is a sort of current account as between you and them. You say "all right, we will take your boxes at Rs. 1-6-0 or whatever it is" and then after that they have got nothing to do with what happens.

Mr. Schele.—Quite so.

President.—It all goes into what you call the Selling Company.

Mr. Schele.—Yes.

President.—And the profits that are made then are remitted to the Swedish Match Company.

Mr. Schele.—Yes, if there are any profits.

President.—I was asking you about the sales organisation before we adjourned.

Mr. Schele.—Yes.

President.—Is that sales organisation also in charge of your imported matches?

Mr. Schele.—No, that is altogether independent of me. All our matches are sold in London to the English houses there and they send out to India.

President.—Under which department of the Swedish Match Company?

Mr. Schele.—They sell to their agents in London and those agents sell to importers. Our whole trade is done in that way. Most of our matches are sold by London houses.

President.—You don't do that yourself.

Mr. Schele.—No. My position is entirely one of supervision and guidance.

President.—I understand for instance the Kemmendine Match Factory does not do that.

Mr. Schele.—That is an exception. For Burma we don't have any outside connection. They buy from the agents in London.

President.—Has the Swedish Match Company got a separate sales organisation like the Kemmendine Match Company?

Mr. Schele.—Do you mean in Sweden?

President.—Wherever you have import business.

Mr. Schele.—In the English home market we have a firm who buys like Kemmendine.

President.—That firm exports to India and other parts.

Mr. Schele.—No, they deal only in the home market. I think Kemmendine is rather an exception.

President.—Where does the Kemmendine Match Company buy its matches from?

Mr. Schele.—From London.

President.—Is it from the firm that you are talking about?

Mr. Schele.—Yes.

President.—And that I suppose is done on a commission basis.

Mr. Schele.—Yes.

Dr. Matthai.—They take the place of an import house in India.

Mr. Schele.—Yes. Our business in Burma was looked after by indent houses. Particularly during the last two years we found that the indent houses would not work the Burma market as we wanted. Their method was rather old fashioned.

Dr. Matthai.—What about the Match Manufacturing Supply Company? They supply materials, machinery, etc.?

Mr. Schele.—That is only an agency for machinery and chemicals.

Dr. Matthai.—Do many of the Indian factories buy from the Match Manufacturing Supply Company?

Mr. Schele.—Not as many as we would like, because they suspect us.

Dr. Matthai.—The Match Manufacturing Supply Company has its Headquarters in Bombay?

Mr. Schele.—Yes.

President.—Is that part of the Western India Match Company?

Mr. Schele.—No, it is a separate Company of which I am the Managing Director.

Mr. Mathias.—Is that also under the control of the Swedish Match Company?

Mr. Schele.—Yes.

Dr. Matthai.—Have any of the big Indian factories bought from the Match Manufacturing Supply Company?

Mr. Schele.—Esavi has bought from us.

Dr. Matthai.—Any of the people on the Bombay side?

Mr. Schele.—In Bombay we sell quite a good deal. We have sold machinery to Santa Cruz and Andheri. We also sell machinery in the Punjab.

Dr. Matthai.—Do you sell on credit?

Mr. Schele.—We sell for cash. In the beginning to get over the suspicions from the Indian Factories we agreed to take payment only after they were satisfied that the machinery was working satisfactorily. We also lent our expert to put the machinery in operation and then when everything was in order we got our payment.

Mr. Mathias.—Do you sell machinery to factories in Bihar and Orissa?

Mr. Schele.—Yes, we sold to the Government Factory at Patna.

Mr. Mathias.—That is not on cash payment.

Mr. Schele.—That was on those terms I have related. When the machinery was working, we got payment. As a matter of fact when they turned out 100 gross, we got our payment.

Mr. Mathias.—In full.

Mr. Schele.—Yes.

Mr. Mathias.—It was not an instalment payment.

Mr. Schele.—No, as far as I can recollect. In the first instance they paid some amount and the rest when they turned out 100 gross.

President.—This Match Manufacturing Supply Company deals with machinery, chemicals and all accessories.

Mr. Schele.—Yes.

President.—If you don't have this sales organisation for imported matches under your own control, then the Swedish matches may compete against your own manufacture. How can you regulate in that case?

Mr. Schele.—That is impossible to avoid. We have to take the consequence. The fittest would survive.

President.—Really do you mean to say that your Swedish match factory in Sweden exports matches here and would sell them in competition against the Swedish match factories in India.

Mr. Schele.—There is no competition, because the prices are on two different levels.

President.—Really it is rather difficult to follow. It means this that you yourself may drive out your own Swedish matches from this market.

Mr. Schele.—We leave it to the public to decide. We have to cater for the public.

President.—It is not a question of the public at all. You may say "We will make more money here by competing against the Indian manufacture and at the same time by competing against the Swedish manufacture." Do you mean to say there is no control at all as regards the regulation of your Swedish prices?

Mr. Schele.—The only thing as I said the other day is that we try to avoid selling our local matches where we sell the Swedish, because if we did, we would upset the importers' business.

President.—How do you regulate that?

Mr. Schele.—That is automatically regulated. If an indent firm find that they cannot dispose of the goods, they won't buy them. As long as they buy them, it is their look out.

President.—Now take the case of Forbes, Forbes Campbell and Company, do they import Swedish matches too?

Mr. Schele.—Yes.

President.—If they import Swedish matches at the same time as they sell the Indian matches, they must determine the market in order to prevent this competition.

Mr. Schele.—Take Calcutta for instance. There is a demand for Swedish matches. A dealer goes up to Forbes, Forbes Campbell and Company and says that he wants to buy Swedish matches. Swedish matches will be sold to him at a particular price. Then another dealer comes and says "I want to buy 'Wimco' matches." Those matches are sold to him. If we don't sell those matches, other factories will sell their goods. There is no use holding off. If I refuse, Esavi will supply that dealer.

President.—We put it to you this way. Where it pays to sell Swedish matches and not Indian matches, you naturally sell Swedish matches. To-day the competition is so great that you cannot make much profit on your Indian matches. In that case you may say "All right, we will sell our Swedish matches."

Mr. Schele.—We have no choice. I have got my factory in Calcutta. I have got to make 100 cases every day, otherwise my overhead expenses would go up. I have to sell what I make or close down the factory.

Mr. Mathias.—You don't sell in Calcutta.

Mr. Schele.—I do.

Mr. Mathias.—At the time we inspected the factory, we were told that not a single box was sold.

Mr. Schele.—We have altered since then.

Mr. Mathias.—So that you are talking about the latest policy.

Mr. Schele.—It was not a policy. There was not much demand for 'Wimco' in Calcutta. We thought for such demand that there is, let others cater for it. Since you visited the factory, we have not been able to dispose of our goods, so we had to sell also in Calcutta.

Mr. Mathias.—You changed that policy as far as Calcutta is concerned.

Mr. Schele.—Yes.

Mr. Mathias.—If there were no other Indian made matches, say, in a seaport town, then you would not sell your Indian made matches there.

Mr. Schele.—No.

Mr. Mathias.—There is no such place, is there?

Mr. Schele.—No.

President.—If you are overstocked with Indian matches, then you would first try to sell off your Indian matches and then try to bring in your Swedish matches, is it not?

Mr. Schele.—Yes.

President.—How do you regulate the two?

Mr. Schele.—That is what the public regulates. Why should a certain quantity of piecegoods be imported into India? Well, there is a certain demand and nobody regulates the piecegoods imports. Why is there a certain quantity imported of anything? Because there is a demand for it in the country. It is the law of the trade.

Mr. Mathias.—Who decides the question of policy as to whether you should sell your Indian made matches in Calcutta or not.

Mr. Schele.—I do.

Mr. Mathias.—Even though it may affect the sale of imported Swedish matches.

Mr. Schele.—Yes, it is entirely local.

Mr. Mathias.—Although the interests may clash?

Mr. Schele.—In that case, we must go by the sound economic rules. We cannot possibly accumulate goods in India.

Mr. Mathias.—Take this case. Where no other Indian matches are sold, you now sell your imported matches. Supposing you were to decide in the general interests of the Swedish Match Company that you should sell your Indian made matches in competition with imported matches, would there be any control on your decision?

Mr. Schele.—If they found that I had made a mistake, they would tell me so.

Mr. Mathias.—Supposing you did something which resulted in an increased sale of your Indian made matches at not very unremunerative prices, thereby displacing the sale of a considerable amount of Swedish matches, in a case like that would the higher powers interfere?

Mr. Schele.—I would probably put it up to them. After all, that has to be decided on sound economic principles. I sell two kinds of articles in a market. I make a profit of two annas by selling one article and a profit of three annas by selling another article. I suppose I would try to push the sale of the article which would give me a profit of three annas.

Mr. Mathias.—In the last resort, the sales policy as between your Indian made and imported matches is decided by the "higher commands"?

Mr. Schele.—They have no time to consider these matters in detail.

Mr. Mathias.—You said that you would not consult them.

Mr. Schele.—I would if I had an opportunity.

Dr. Mathai.—What the higher commands would do would be to adapt themselves to changing conditions in the Indian market.

Mr. Schele.—If I did not do that, I would consider myself a bad businessman.

Dr. Matthai.—I want to understand this. Take the Swedish Match Company. A certain quantity of imported matches which they make in Sweden is sold to importing houses here and a certain amount is made by factories here.

Mr. Schele.—Yes.

Dr. Matthai.—Supposing in India there is a diminishing demand for imported matches, it means so much less business for the importing houses dealing in Swedish matches.

Mr. Schele.—Yes.

Dr. Matthai.—In that case, it means a corresponding increase in the business of your local factories.

Mr. Schele.—It would be so if we were the only ones doing that business.

Dr. Matthai.—Assuming that you get an expanding market for local matches, your position is that the two things just balance themselves.

Mr. Schele.—Yes, assuming we were the only ones.

Dr. Matthai.—The higher command cannot dictate a policy apart from the conditions in the market.

Mr. Schele.—I don't say that. That is what Mr. Mathias says. I am looking after the Indian market myself. If I don't sell local matches, others will do it. It is rather a question of common sense.

President.—Supposing you are not able to push your Indian matches except at a loss, will the Swedish Match Company step in and say "no matter if we lose money, we will push the sale of Indian matches"?

Mr. Schele.—No.

President.—There won't be cut-throat competition between yourselves in India and the Swedish match business.

Mr. Schele.—No.

President.—There must be somebody to regulate that.

Mr. Schele.—There is the price to do that. As soon as the imported matches do not realise what we want in Sweden, we stop. That is why when the merchant in India finds that he can pay Rs. 1-4-0 he offers that business in London. We accept the order and ship the goods. Supposing he said he would pay only 11d. we would refuse to accept the order. In the piecegoods and all other imports it is the same.

President.—Supposing it was a question of your capturing the market, you may say "all right, now it is the policy of protection. We want to compete here. Let us reduce the prices of both Indian and Swedish matches." You may not only reduce the price of your Indian matches but also the price of your Swedish matches in combination.

Mr. Schele.—We don't want to capture any market. We want to make a profit. A company like the Swedish Match Company with shareholders all over the world would hardly do a thing like that. If we start to play about capturing markets, where should we be?

President.—I think that you would be all right.

Mr. Schele.—Not if we started selling everywhere at a loss.

President.—Not everywhere?

Mr. Schele.—We don't want to have 100 per cent. of the market. It is not a sound economic proposition.

President.—You enter into competition on both sides.

Mr. Schele.—India is in an abnormal position into which we have been led by force of circumstances.

President.—Supposing it came to this that you really wanted 60 or 70 per cent. of the market and that you could not get it except by entering into severe competition with the Indian industry.

Mr. Schele.—We don't say that we want 60 or 70 per cent. We never argue like that. We say "is there money to be made in India"? If there is no chance, I report to the home office that there is no money to be made. In fact, there is very little chance just now.

President.—Do you mean to say that these two corporations, *vis.*, the Swedish Match Company and the International Corporation don't have to enter into competition against local matches wherever they have established factories?

Mr. Schele.—Yes, they do.

President.—Then, when they enter into competition . . .

Mr. Schele.—We don't go out with any pre-conceived idea that we want 60 or 70 per cent.

President.—The very fact that you have established factories in other places does imply that you want the market.

Mr. Schele.—We only want a certain share. As a rule we don't establish factories in other markets. We simply have taken over old ones.

President.—It comes to the same thing.

Mr. Schele.—No, say for argument's sake that we built five new factories in a market where the consumption is fully covered, there would be overproduction.

President.—Having bought 5 factories, you will compete against the remaining 5.

Mr. Schele.—We try to live in peace with everybody and make a reasonable profit.

President.—You may say so.

Mr. Schele.—That is our aim.

President.—You may try to bring these factories to terms. If they don't come to terms, you may say "all right, we will compete against you."

Mr. Schele.—I would rather say that our cost of production is lower than others. They sell at a small profit. We also sell at the same price but our profit is higher and that satisfies us. Our policy is to live and let live.

Capital and Control of Policy.

President.—To come back to the question of capital: the first capital is 90,000,000 crowns.

Mr. Schele.—Yes.

President.—That is A shares, is it not so?

Mr. Schele.—Yes.

President.—Yesterday you made a point of British shareholders. Under the Swedish law, only one-fifth of the voting power may be held by foreign interests. Therefore of those 900,000 shares issued, the shares which carry votes are 178,500.

Mr. Schele.—Exactly.

President.—The remaining shares may be held by British shareholders but they would carry only 1/1,000th vote per share.

Mr. Schele.—Yes.

President.—So that, though the British capital may be represented by a very large sum of money, yet the voting power will rest with the Swedish shareholders.

Mr. Schele.—Exactly.

President.—And that is because your law requires that it should be so.

Mr. Schele.—Yes.

President.—If the same law was enacted in other countries, would the Swedish Match Company object?

Mr. Schele.—We cannot object to anything.

President.—Would you consider it reasonable if other countries did the same?

Mr. Schele.—That is of course a law adopted by the Swedish Government.

Dr. Matthai.—This particular provision applies only in the case of companies which own natural resources.

Mr. Schele.—Yes, which own property.

Dr. Matthai.—I mean resources of a kind which are exhaustible. It is applicable in your case because the company happens to own 100,000 acres of forest land.

Mr. Schele.—That was the purpose of it.—I think that the law says company owning property.

Dr. Matthai.—Owning landed property. I don't think that it is confined to forests.

Mr. Schele.—That is a point which can be easily ascertained and that has really been to the detriment of Swedish Industry. The capital in Sweden is limited. It is a small country and we cannot finance our developments ourselves. The result is that the companies get into the hands of Banks and they take advantage of them. It is rather an unhealthy position. It is very creditable that the Swedish Match Company was able to see its way through.

President.—All the Directors of the Swedish Match Company are Swedes as far as the names go.

Mr. Schele.—No. Mr. G. Akers Douglas is an Englishman. Mr. J. W. Hills is another Englishman on the Board. There are two Englishmen.

President.—Out of how many?

Mr. Schele.—Out of 16.

President.—On the Board of 16, you have two foreign Directors.

Mr. Schele.—Yes.

President.—You gave us the total number of shares as 1,800,000.

Mr. Schele.—Yes, that was before the last increase.

President.—Out of that, 1,61,000 shares were registered in the names of English shareholders.

Mr. Schele.—Yes.

President.—In spite of that, the number of British Directors is two.

Mr. Schele.—Yes.

President.—Can you really say that this Match Company represents British interests?

Mr. Schele.—I do. If English shareholders want more Directors on the Board, there is nothing to prevent that. What happens really is that many of the Swedish, the Directors are managers of factories.

President.—True, your law would not allow that.

Mr. Schele.—I cannot say that.

President.—Because the control must remain in the hands of Swedish people.

Mr. Schele.—We could have more British Directors without losing the control.

President.—They would be dummies. They would not have any power.

Mr. Schele.—You can always do that when you are in a majority.

President.—What I am trying to suggest to you is that though the British capital may be represented in this way, you cannot say that this company represents British interests.

Mr. Schele.—Let us put it the other way. Though the British shareholders have not got the actual control of the company, they have got the moral control.

Mr. Mathias.—The finance of the Company is mainly supplied by English shareholders but the control is entirely in the hands of Swedes.

Mr. Schele.—That is to the point.

President.—Do these British Directors have really any voice in the matter?

Mr. Schele.—Yes, very much because both of them represent Banking firms in England.

President.—You have got the money; what control can they exercise without enough voting power?

Mr. Schele.—It is like any minority. If the majority takes an undue advantage of their position then they can do what they like.

President.—This being the position as regards British shareholders and your company as the Swedish Match Company also having got a controlling interest here, it does follow that really speaking the whole thing is a Swedish concern.

Mr. Schele.—That depends on how you look upon it. As far as profits go, more money goes to England than to Sweden; that is the most important point.

President.—Quite true, as far as dividends go, but that does not necessarily follow that more money goes there. You would naturally take the bulk of it, because you will sell the wood, you will sell the chemicals, you would sell the machinery and everything else.

Mr. Schele.—Yes, at ordinary market rates and ordinary merchant profit.

President.—I mean your country, not your company.

Mr. Schele.—Even from my list you will find that a lot of things come from abroad.

President.—The main things, viz., machinery, wood, paper and chemicals, are Swedish products so that you cannot say that the bulk of the money goes abroad.

Mr. Schele.—If you look upon it that way, of course, the position becomes different.

Dr. Matthai.—The bulk of the finance is British, but are the British financiers prepared to leave the bulk of the control into Swedish hands?

Mr. Schele.—Yes.

President.—Where do you hold the general meetings of the Company?

Mr. Schele.—In Stockholm.

President.—Do the British shareholders attend the meetings?

Mr. Schele.—Everybody can come.

President.—But do they?

Mr. Schele.—I have not been to any of these meetings, but I think it is the same as in India; practically nobody attends at all. Sometimes there is not even a quorum in this country.

Dr. Matthai.—If you declare a bad dividend you get more than a quorum.

Policy with regard to India.

President.—We were talking of the Indian market and you said it would not make very much difference to you. Here in this prospectus you have given 132 million kronen as the total value of your yearly production which is equal to 80 million rupees.

Mr. Schele.—Yes.

President.—You took the value of your imports and the manufacture here as 4 million gross, plus another 4 million gross. That is the total of your operations at the time of the prospectus?

Mr. Schele.—Yes.

President.—If you take 8 million gross as your present sales—

Mr. Schele.—It is not 8 millions at present, it was 7,200,000 last year, that is for the calendar year 1926.

President.—You are equipped to manufacture 4 millions now and the value of the market would be 8 millions if your expectations came up.

Mr. Schele.—I don't think so because we won't be able to maintain the imports.

President.—If you cannot maintain the imports your local production will go up?

Mr. Schele.—If the imports disappear that does not mean that we will get the whole of it because others will also capture a portion of it.

President.—They say "For some years heavy duties have been imposed on the import of matches into India, and the question of establishing local factories there on a large scale has been under consideration. After full investigation it has been decided to embark upon this policy and match factories are now being erected at Bombay, Calcutta, Madras and Karachi, all of which will commence operation during 1924, and it is expected that commencing with 1925 a highly satisfactory return will be obtained".

Mr. Schele.—Have there been any factories erected in Madras or Karachi? I can only say what I have said. I must admit that it is very unpleasant for me to be confronted with this statement. At the same time I ask the Board to compare the amount that was secured with what would be required for Indian market.

President.—Even if you took 7 million gross for last year and taking it at the rate of Re. 1-4-0 per gross on an average per gross—

Mr. Schele.—That is too high because a large percentage of it is half size which are much less in price—I would say out of that 5 million gross is half size and the balance is the full size.

President.—What would you assume the value at?

Mr. Schele.—The average price of half size is 1s. 1d., that is about 12 annas 6 pices per gross for 5 million and the rest is 1 rupee, so that it is 2 million rupees. I calculate it at about 6 million rupees. That is calculated on the imports and the manufacture in India.

President.—Out of 80 millions?

Mr. Schele.—But you have really to take the import figures only. We did not make matches in India in those days.

President.—I am only trying to make a comparison of what the value of this business is to you. What do you estimate the world's demand at, at present?

Mr. Schele.—I do not know.

President.—In the prospectus of the International Match Corporation it is stated that "the constituent companies manufacture 10 billion boxes or 600 billion matches per annum."

Mr. Schele.—The Swedish production is supposed to be 600,000 cases, that is 30 million gross.

President.—That represents about two-thirds of the world's production.

Mr. Schele.—If they say so, it must be correct.

The Western India Match Company.

President.—Coming to the Indian companies, can you tell me who are the partners in the Western India Match Company.

Mr. Schele.—I am the managing director. I think Mr. Bunbury was one shareholder and Mr. Bierman was the other man.

President.—The capital is Swedish entirely?

Mr. Schele.—Yes, entirely.

President.—What was the idea of starting this as a private company?

Mr. Schele.—It is always very convenient to have a limited liability company when you start business; you can make it into a public company easily.

President.—I thought the idea was that you were to have the co-operation of Indian capitalists.

Mr. Schele.—Then we will have to make it into a new public company.

President.—Why was it not formed into a public company?

Mr. Schele.—The reply to that is given in Mr. Kreuger's speech: "It is not our intention to try to monopolise the Indian match trade, and we have decided to seek the co-operation of prominent Indians in our Indian undertakings. We would prefer, however, to wait a little, so that the situation in the Indian match industry may be established, in order to get a sounder basis for co-operation and thus prevent disappointments." I think personally we were rather in a hurry in forming the Assam Match Company. I am sorry we did it. We thought that matters would turn out better; otherwise our intention has all along been to make public Companies as soon as we could show a good return.

Dr. Matthai.—What was the element of disappointment in the Assam Match Company? Was it the fact that you made it a public Company or that you started business in Assam?

Mr. Schele.—How could it be disappointment if it was started as a public company?

Dr. Matthai.—The President was asking you why you didn't have the Western India Match Company registered as a public Company and then you read Mr. Kreuger's speech and said that you ought to have proceeded slowly and that you had made a mistake as far as Assam was concerned. What was the mistake? Was it the fact that you started business in Assam or that you started a public Company in Assam?

Mr. Schele.—I thought this was clear enough from the information I volunteered entirely on my own initiative. At present matters are so uncertain in the match trade that we should not call in outside shareholders and make them run the risk. It has been our intention all the time to make public Companies. We have prominent Indians who have promised to accept offices as Directors and take an interest as soon as we are ready.

President.—The point is this: You say that you wanted to take Indians first, but when your capital in the case of the Assam Match Company was oversubscribed by Indians, you gave only a portion of their capital.

Mr. Schele.—Yes.

President.—You didn't give them enough.

Mr. Schele.—We gave them two-fifths.

President.—But you kept yourself three-fifths.

Mr. Schele.—Yes.

President.—So that you can't say that you have not received enough co-operation from Indian capitalists, when your capital was oversubscribed 3 times more.

Mr. Schele.—I have not stated that we didn't receive enough co-operation.

President.—What I want to say is when Mr. Kreuger talks of co-operation, there, it means that he keeps the bigger portion.

Mr. Schele.—He keeps the control, because otherwise we may be pushed out of the business.

President.—I don't see where the Indian capital benefits except to the extent that some of them get a few shares.

Mr. Schele.—If it is a big Company, it will be a good many shares.

President.—Anyhow three-fifths would be kept by you.

Mr. Schele.—If it came to that, I would even recommend to let the Indian shareholders have 51 per cent. We should very soon be able to buy back that extra percentage in the open market which would give the control.

President.—Have you made up your mind when you are going to convert this into a public Company?

Mr. Schele.—Yes, as soon as we can show a reasonable profit.

President.—So far as the Western India Match Company is concerned, is it your case that you have not made enough profit?

Mr. Schele.—Yes, not enough. I would even say, no profit at all.

President.—And until you are able to make a profit, you don't wish to convert it into a public Company.

Mr. Schele.—How can we? We can't go to the public and say "join this Company which is being run without profit."

President.—If you have the same thing as you have done in the case of Assam Match Company on a prospectus, you would have got the capital in Bombay too.

Mr. Schele.—It is not very pleasant to disappoint shareholders. We thought we were out of the wood when we started the Assam Match Company, but we found that we weren't.

President.—Did you consider that as your best proposition? What was the point of starting the factory in Assam?

Mr. Schele.—We found that it was a sound proposition at the time. We allowed the Assam Match Company the benefit of our costly experience in India. That Company we started with a clean slate so to speak.

President.—Can you tell me how many shareholders you have got in the Assam Match Company?

Mr. Schele.—I can't say right away, because shares change hands very frequently, but the Registrar of Joint Stock Companies who has got the latest returns can tell you. I find from the returns showing the applications for registered transfers, that chiefly the Indian shareholders are very ready to part with the shares.

President.—As regards these Rs. 2 lakhs, that was not all Indian capital.

Mr. Schele.—No, it was not. Everybody was treated on the same basis.

President.—How much was the Indian capital?

Mr. Schele.—I can't say right away. I would be able to give you that figure very easily. What happened was Rs. 6 lakhs were subscribed and everybody got $\frac{1}{3}$ rd irrespective of who he was, whether he was a Hindu, Muhammadan, Christian, or Marwari.

President.—I wanted to know how much Indian capital was invested.

Mr. Schele.—I will be able to tell you that later on.

The Burma Match Company.

President.—As regards the Burma Match Company I take it there is only one Indian shareholder in Burma Match Company and that is Sir Annamalar Chetty.

Mr. Schele.—Yes.

President.—That was a going concern that you bought.

Mr. Schele.—Yes, in a way. I would rather say it was stumbling.

President.—You didn't seek the co-operation on any large scale of Indian capital.

Mr. Schele.—I am very glad, we didn't.

President.—You don't regard that as a very promising proposition.

Mr. Schele.—No. I look upon the Burma Match Company as the least promising proposition of all our concerns.

President.—As regards Burma, it was suggested that you tried to buy Adamjee Dawood's and that you offered him the cost price.

Mr. Schele.—No, it must have been more. It is a very high price. I was not there at the time.

President.—Higher than he had spent or higher than it was worth.

Mr. Schele.—It must have included a premium.

President.—What was the point of buying that factory?

Mr. Schele.—To eliminate unsound competition.

President.—And that is ordinarily the practice of the Swedish Match Company to try and buy all factories.

Mr. Schele.—In reply I can only refer to Mr. Kreuger's speech when he says: "Even in other parts of the world we are building new factories and taking an interest in existing match concerns, and I hope before long there will not exist any country in the world where we have not either a regular import trade or a local match factory. (Cheers.) At the same time I wish to state that it is not our intention to try to extinguish competition in the match trade."

President.—Now take Burma. You bought up the two match factories. The remaining you tried to buy. If that is not extinguishing competition, I should like to know what is.

Mr. Schele.—For instance, we noticed that Adamjee, Dawood was selling at a loss. We thought it was very unsound. Our idea was to put the thing on a paying basis. We also knew that his factory was badly arranged. We intended to give him the benefit of our experience and put the whole thing on a paying basis. If we subsequently had raised our prices unduly, there would be exports from Calcutta factories right away.

President.—You don't mean to say that you wanted to buy Adamjee Dawood's factory in order to save him from losses.

Mr. Schele.—Not him, but ourselves and incidentally make a small profit for Adamjee's.

President.—The first idea was to kill the competition.

Mr. Schele.—No.

President.—Then what was the purpose?

Mr. Schele.—Exactly what I was saying to establish the match trade on a sound basis as on the same principle Dr. Matthai pointed out a little while ago. Our intention was to speed up the developments to get a few big factories working on a sound basis, giving regular employment to Indians, having a good credit and giving good matches to the Indian public.

President.—That may be all very well.

Mr. Schele.—That is a fact.

President.—Ultimately your object is to earn a higher dividend for the Swedish Match Company.

Mr. Schele.—Naturally. It is not a charity concern.

President.—But you are arguing as if you are doing it for the benefit of the other people.

Mr. Schele.—At the same time we do it for the benefit of other people.

President.—In Japan you have done the same thing. You bought some factories.

Mr. Schele.—That is more to have an interest in the match trade of Japan. The freights to those parts are too high from Sweden and we wanted to have a certain hold either by building our factories in Japan or buying old ones if the latter course was more economical.

President.—In Japan I think they have got the same law as you have.

Mr. Schele.—I don't know about that.

President.—That is to say, I don't think foreign companies or companies under foreign control can be established in Japan.

Mr. Schele.—Those are matters that I don't know.

President.—I am not quite sure, but I think my impression is that no foreigner is allowed to hold any landed property in Japan. That being so there would be first difficulty.

Mr. Schele.—I don't know at all what happens in Japan.

President.—Do you claim that you have got a controlling interest in Japan?

Mr. Schele.—Not so far.

President.—What percentage have you?

Mr. Schele.—I can't say, but we have no control.

Mr. Mathias.—I don't quite follow your object in starting these factories in Japan.

Mr. Schele.—We didn't start. We bought the old ones.

Mr. Mathias.—Why buy them at all?

Mr. Schele.—To be able to control the market in that part of the world which we could not reach in competition with the Japanese matches on account of high freights.

Mr. Mathias.—Control the markets with what objects?

Mr. Schele.—Make money. It is not exactly a question of control but a question of selling matches. We knew that if we had the same natural advantages as Japan, we would probably be able to make more money than they did. Japan is again a country which has natural advantages for the Match Industry and we thought that that was a country we should like to be in—to a certain extent.

Mr. Mathias.—You thought it was a country for making money in the match business.

Mr. Schele.—Yes.

President.—Have you been to Japan yourself?

Mr. Schele.—No.

President.—That, I take it, would be under the control of the International Match Corporation.

Mr. Schele.—Yes.

President.—You didn't buy these factories right out.

Mr. Schele.—I don't think so.

President.—You bought a half share with the option of buying them out with interest at the end of four years.

Mr. Schele.—I don't think so.

President.—I should like you to look at Mr. Adamjee's evidence where the suggestion is that the Swedish Match Company bought some factories.

Mr. Schele.—Didn't he say in India?

President.—In Japan. The condition was if the Company made a loss, the Japanese vendor had the right to claim back his share value with interest and the suggestion was that the Company did make a loss and so you got back the whole of that by paying the interest.

Mr. Schele.—How do you mean?

President.—You had a half share and the Japanese vendor had a half share.

Mr. Schele.—With regard to Adamjee. He had the option to sell his other half if it didn't pay. It was not our option to buy. It was entirely his free will to sell the other half.

President.—He said that the factory was running at a loss and he would like to have his money back with 50 per cent. interest.

Mr. Schele.—It sounds very childish. Who would go in for a thing like that?

President.—I am speaking from memory.

Mr. Mathias.—There was also a proposal made to Adamjee's at Rangoon that you being far more skilled in turning out matches than Adamjee's Company you should take the control of the factory and that you should run the factory on a half share profit basis and at the end of 4 years, if you didn't make any profits, he should have the option of selling you the remaining half plus compound interest at 6 per cent. at the end of 4 years.

Mr. Schele.—That was very nice to Adamjee.

Mr. Mathias.—Was that proposal made?

Mr. Schele.—I can't say for certain. If it was made, that seems to me to be in favour of Adamjee, because he had a fair chance for 4 years. If he suspected foul play as he seemed to imply in his evidence, it was his own free will to remain as long as he could. He could kick up a tremendous row in public if he thought that the concern was not doing so well, as it could do I can tell you those are not the methods of the Swedish Match Company.

President.—That is why I am putting it to you. It is for you to deny or explain. These allegations have been made against you. Do you suggest that no such proposal was made?

Mr. Schele.—If it was made, it was made to his advantage.

President.—I want to know whether the proposal was made or not.

Mr. Schele.—I do not know.

President.—Who could have made it? I think that there was one gentleman by name Mr. Littorin, who wrote a letter about that.

Mr. Schele.—The letter does not show anything except that there was some kind of proposal. I know that there was some proposal but I don't know the details. I will be able to give you full satisfaction in Bombay. All the papers are in the head office.

President.—You must do so when we meet again. It is for you to explain. It is an allegation made against you, and it is for you to explain.

Mr. Schele.—If any such proposal has been made, I ask whether it is not a straightforward proposal.

President.—We are not prepared to give you any explanation. We want to know what the facts are.

Mr. Schele.—I shall be able to give you satisfaction on that point.

President.—He also said that you filed about 10 or 11 cases against him in the courts, when your offer was refused by him.

Mr. Schele.—We had to file cases against him because he was deliberately infringing our trade mark.

President.—That was one case.

Mr. Schele.—The number of cases was not as many as 11. The unfortunate part of it was that our Manager at Rangoon had a nervous break down and was not responsible for his action. He took action against Adamjee without consulting the head office on labels which did not belong to us.

President.—You filed one case which was fought out in the High Court.

Mr. Schele.—That was a big case relating to five stars.

President.—We were told that you filed several cases on labels which did not belong to you.

Mr. Schele.—There was one case in which there was infringement and there was another one in which there was doubtful infringement.

President.—And they were withdrawn.

Mr. Schele.—When I came to Rangoon and found what had happened, I withdrew them.

President.—The suggestion is that the company behaved vindictively because he refused to sell the match factory to you. If you have got anything to say to that, we would like to hear.

Mr. Schele.—That is childish. I know from our part that it was simply a question of stopping him from infringing our trade mark. We intend to start three more cases in Bombay because there are infringements right and left. I suppose that the manufacturers in Bombay will say that we are persecuting them.

President.—They might say that.

Mr. Schele.—I can only say that we did not take any action against anybody in any vindictive spirit.

President.—If you choose to answer you may do so, but I don't consider this a complete answer.

Mr. Schele.—How would you like me to answer? I have said that it was not done in any vindictive spirit. What more can I say? It was a *bond fide* case against Adamjee for infringing our trade mark.

Mr. Mathias.—How long did it take between his refusing the offer and your filing the case?

Mr. Schele.—One year.

President.—There is keen competition, is not there, in Burma.

Mr. Schele.—Yes. He is our only competitor. Others do not count.

Mr. Mathias.—Mr. Adamjee Hajee Dawood had been manufacturing matches for how long when this case was brought against him?

Mr. Schele.—Two years.

Mr. Mathias.—Would it be right to conclude that you took action against the alleged infringement of trade marks at what you considered the earliest opportunity?

Mr. Schele.—Yes.

Mr. Mathias.—Was it in respect of the label?

Mr. Schele.—Yes.

Selling Agreements.

Dr. Matthai.—Have you made any proposals about joint selling to any of the Indian match factories in India?

Mr. Schele.—Yes, we have, just considered whether it would be possible to avoid the present cut throat competition. We have discussed this question with several people.

Dr. Matthai.—None of them has materialised.

Mr. Schele.—No. They do not like us.

Dr. Matthai.—Generally the proposals broke down because they did not accept the conditions.

Mr. Schele.—No conditions were laid down.

Dr. Matthai.—Could you give me some idea as to the sort of conditions on which the proposals were made?

Mr. Schele.—Mr. Hossainbhoy Lalji came up to my office.

Dr. Matthai.—Is he running the Andheri factory?

Mr. Schele.—Yes. He came to see me and we discussed for one hour. He could not see any way out and said that if we co-operated, Santa Cruz would not play the game. So, I said "will you go and talk in Santa Cruz factory people." I have never seen him since.

Dr. Matthai.—Could you tell me precisely what your proposal was?

Mr. Schele.—The proposal was that we should try to come to an arrangement regarding prices.

Dr. Matthai.—Was it simply a general proposal?

Mr. Schele.—Yes. He said that he would go and consult others.

The publication of costs and evidence.

President.—Before we finish the proceedings, I should like again to draw your attention to the question of publicity. I would make it clear at the outset that we are not here concerned in this enquiry at all with foreign capital as such coming into the country in the ordinary way, for the reasons given by me when I opened the enquiry in Burma. Our investigation is limited to this one question so far as the Swedish Match Company is concerned, namely, whether it operates as a trust in the sense that its object is to create a monopoly as far as possible for the manufacture of matches in India. For that purpose it is essential that we must go fully into the con-

situation of the Company, its methods of operation and its objects. Now, on all those points you have given us some evidence as far as it goes but at the same time you have put in a claim to be examined *in camera*, and I have allowed the examination *in camera* in the hope that you will see your way afterwards, at any rate, to allow us to publish all these proceedings in full. You have told me that when you go home you would explain the position to your Directors and that you would do the best you can to assist us.

As regards the question of costs, it is on a different footing altogether. You have refused to give the costs to us even in confidence. We take rather a serious view of this. You may refuse to give us any costs just now because we have not got the power to compel you to put the costs before us. But I have been seriously considering, in view of the attitude taken up by you and the Company what steps I should take in order to protect the public interests. It appears to me that I should approach the Government of India to arm this Board with powers to compel you to give us your costs and information on other relevant points. You have claimed two privileges which we have generally denied to Indian applicants. The one is that you have not given us any costs at all even in confidence and the second is that you claim that the costs and every other information should be treated as confidential. You cannot reasonably expect this country to give you any greater indulgence than it does to its own people. I am putting this to you in a friendly spirit. If I have to approach the Government of India and the Government of India accepts this proposal to arm us with the necessary powers, that would require legislation in September. I don't think that it would create a proper atmosphere for the Swedish Match Company if its position is discussed by the Indian Legislature before our final conclusions have been reached and submitted to the Government of India. Your refusal to give us the information at all or publicly is partly based on your claim that a large amount of your capital has been subscribed in Great Britain. Even if there was any force in such claim you have admitted that the capital is controlled entirely by a foreign organisation which is unwilling to co-operate with the Government in a very important enquiry. Facts such as these must lead to a premature discussion of the affairs of the Swedish Match Company in the Legislature before our enquiry has been concluded. I would depreciate such a contingency, for if it arose, it is likely to create some prejudice against the Company which may affect its interests when our final proposals go up for decision. When a foreign Company takes advantage of the tariff wall and settles down here, this country is entitled to expect from it at least the same assistance as it would from its own citizens. You have failed so far to give this assistance, I am sorry to say, and I think that you have gone further than any other applicant whose claim to assistance we have entertained, because you have refused to give us the costs even in confidence. Our proceedings very largely depend on the accuracy of our information and the publicity that we are able to give our proceedings. If you force our hands to ask for powers which we have not found necessary to possess up till now, it is obvious that we must take steps to secure them in the public interest.

Now what I wish to know is whether you are prepared to consider these points and to inform the Board by the end of June whether the information would be given to us. If we don't hear from you by then, of course, we shall take such steps as may be necessary because we cannot allow this enquiry to proceed under such conditions. You take shelter behind a tariff wall, you get the costs of your rivals and having known them you don't want to tell us your own costs. Apart from other considerations, it is unfair to the Indian manufacturer that a foreign rival should know his costs and withhold his own.

Mr. Schele.—As I said in the morning, the question of costs is a matter on which I have not been able to consult my home people and as you know a branch manager cannot very well on his own go about and give the costs to anybody. At the same time what you have said has cleared the atmosphere as far as costs go and on the basis of what you have said I shall be able to discuss the matter when I go home.

President.—Your reply must be received by the Board before the end of June. You have to consider three points. One is whether the whole of this evidence that you have given should be published or not. The second is whether you would give us the costs and all the particulars that we require. The next point is whether you would claim that that information should be treated as confidential.

Mr. Schele.—Would you look upon that as an unfriendly act?

President.—Obviously. Your biggest rival is Adamjee in India, and he has laid all his cards on the table.

Mr. Schele.—He is not. Our biggest rival is Esavi in Calcutta.

President.—We have not examined that Company yet. If it makes any difficulty we shall have to deal with it on its own merits. But all the evidence that has so far been given has been given in public both as regards costs and other matters and I wish to consider whether you would claim any greater indulgence than the Indian manufacturer.

Mr. Schele.—I don't think that we can claim anything at all.

President.—In your representation you have taken up the position that you are not interested in this enquiry, a position which I do not admit. You are interested to the same extent as any other manufacturer in this country so far as protection is concerned because in their report your Assam Directors certainly state that they are in favour of protection. If it is your intention to take advantage of the protective tariff, then you are clearly interested.

Mr. Schele.—The only thing there is that we rely upon the other manufacturers to talk as much as there is to be said about protection, and they will certainly do that.

President.—Your position may be such at present because you are interested in imports as well. Suppose the imports are shut out you would be as much interested as any other Indian manufacturer in the question of protection, would you not?

Mr. Schele.—Perhaps we see clearer than they do. My own personal opinion is that the position will be very much the same even with protection. There will be no profit.

President.—What I say is that as a manufacturer of Indian matches you are as much interested in the question as anybody else who is manufacturing at present.

Mr. Schele.—Let it be as you say.

President.—As regards the examination of your representative in Bombay I think that if you have not got sufficient knowledge of the operation of the Swedish Match Company—to-day you said you were not very familiar with this and so I did not put you many questions—either you prepare yourself on this question or get somebody else to appear before us because we attach a very great deal of importance to this aspect of the question. It is for you to consider.

Mr. Schele.—I will discuss that when I go home. I suppose the home people will think that that will be looking into matters which are entirely private.

President.—That is for us to decide.

Mr. Schele.—That is how we look upon it.

President.—Let me tell you that it is not a question which concerns you alone. It concerns this country very much, for it is entitled to know how a certain organisation operates in the country. Its operations are not merely confined to this country and we want to see how it operates in other countries and whether it is operating there in the same way as here or in any other way. If you don't choose to give any evidence, as I say, we will have to consider how it may be possible for us to compel you to give it.

Mr. Schele.—That depends on our free will. Nobody can compel us.

President.—I have already told you that I am considering whether the Board should not ask the Government of India to give it such powers as the

Tariff Commission in the United States of America and other places possess or different powers altogether to compel witnesses to give evidence when they are interested in any industries which they have established in the country. It is a far more important question than you seem to think.

Mr. Schele.—That is entirely for the home people to decide.

President.—We have not got the home people before us except in so far as you can claim to represent them.

Mr. Schele.—If we are asked to give out everything that is private, they may say "good-bye to India," or they may appreciate the President's views and give the necessary information. Those are the two possibilities.

President.—That is for you to consider. I am not suggesting anything.

Mr. Schele.—That is how it will develop. There are only those two possibilities.

President.—I express no opinion on that remark. It is for you to consult your Board and to communicate their views to us before the end of June.

Mr. Schele.—If it comes to publishing, it will not be done before everything is concluded I suppose?

President.—This part of the evidence we propose to publish as soon as you allow us to do so. It is our practice that after an enquiry has reached a certain stage, we publish all our proceedings and I think we have reached that stage, because we will not be able to go on with this work for three or four months and we shall take advantage of the interval to publish all the evidence that has been taken so far, documentary and oral, and to invite public criticism on that evidence. When necessary, we re-examine the same witnesses. This is only a preliminary examination. We have not really learnt much about the industry yet and if the public choose to come and assist us after reading our proceedings, well and good; if not, we shall proceed in the usual way. It is important that this evidence should be published before you return. Perhaps, I may explain to you that you need not cable to us your costs or other information. What we want to know is whether you would be prepared to lay all the costs and other information before us and whether you would be prepared to make your statements before us in public.

Mr. Schele.—You mean when I come out again? That rather puts the matter in a different aspect.

President.—You must give us the costs in writing as other people have done; then you say whether you will come and give evidence before us in public or whether you would give evidence in camera and whether these proceedings that have already taken place should be allowed to be published or not. These are the points on which you must advise us by cable before the end of June.

The Clearing of Stocks.

Mr. Schele.—May I say a word, Mr. President, before we conclude in order to avoid any misunderstanding. We have got very heavy stocks in our factories in Bombay and Calcutta and in order to clear these stocks and get a balance between production and sales, we have been compelled to lower our rates and this is being done since last week. We have lowered them to a level that we think will enable us to attain our object. I put this before the Board so that it may not be said afterwards that we took certain steps in order to kill other factories at this juncture.

President.—Will you send us the prices at which you are going to sell?

Mr. Schele.—Those are more or less the prices that we have given you and if there are any further reductions, I will let you know from time to time.

THE SWEDISH MATCH COMPANY.

B.—ORAL.

Evidence of Mr. S. SCHELE recorded at Bombay on Friday, the 16th December 1927.

Acknowledgments.

President.—Mr. Schele, before proceeding with the enquiry I should like to perform a somewhat pleasant duty, and that is to record publicly the appreciation of the Board for the very splendid hospitality that was shewn to me by the Swedish Match Company, the Chairman and other Directors of the Company and by you when I visited Sweden. Our thanks are not only due to the Swedish Match Company for this personal hospitality that was shewn to me but for the cordial manner in which they showed me everything that I desired to see in their own works and other works connected with the Swedish Match Factory. Our thanks are also due to many other Swedish gentlemen and owners and directors of factories who gave me access to their works in order merely to satisfy my curiosity as to what was being done in Sweden.

I think I would like to congratulate the Swedish Match Company on the very reasonable attitude that they have taken as regards the publication of the proceedings. Unfortunately, when we met last, you were not in a position to agree to the publication because you had not the necessary instructions from your Head Office; but since then you have had them. I have had Mr. Kreuger's personal assurance also that publicity will be given to practically everything that has been recorded and that will be recorded as we go on in order that the position might be made perfectly clear. We propose to put in a footnote in a conspicuous place in the evidence so that there should be no misunderstanding as regards what took place before you received these instructions. Will that suit you?

Mr. Schele.—Yes, thank you.

Mr. Kreuger's Memorandum.

President.—We have recently received from you a communication from Mr. Kreuger giving us the views of the Swedish Match Company as regards some of the general questions we are now investigating. It is a very valuable document and of course Mr. Kreuger's opinion must undoubtedly carry great weight not only here but wherever he expresses it and for that reason I propose to start this morning's proceedings with an examination of that document. I hope that you will be able to answer some of the questions which arise from that communication.

Mr. Schele.—I will do my best.

President.—In the first paragraph of this communication (Supplementary Statement No. 1) you say that "a considerable agitation has been carried on in India against the Swedish Match Company advocating special laws and regulations discriminating against the Swedish Match Company". But in other parts of the world also there has been a tendency to ask for a kind of protection against the operations of the Swedish Match Company.

Mr. Schele.—The only country that I know of is Germany.

President.—In Belgium too, as you know, recently an official committee has been appointed—in fact it started its proceedings on the very day it arrived in Belgium—by the Minister of Industries to enquire into the position created by the operations of the Swedish Match Company in

Belgium. I do not know what report the Committee has made but it must have reported by now. Have you any information as to what they have done?

Mr. Schele.—No.

President.—In France there has also been some agitation about the Company's operations.

Mr. Schele.—Was not that more due to the definite proposal that was put before the Chamber or Parliament in France which naturally caused comments in the ordinary course of parliamentary procedure?

President.—That is true, but the feeling in the country was that the business should be left to the people of the country; I mean that was the line taken, was it not?

Mr. Schele.—I only know from the papers. It seemed that the voting was rather close. Some parties were in favour of the Swedish Match Company, others against.

President.—I am not referring to the vote but there is a feeling.

Mr. Schele.—Yes, in certain quarters.

President.—There is a feeling that the business should be kept as far as possible in the hands of the French people so far as France is concerned.

Mr. Schele.—Yes.

Dr. Matthai.—The feeling there was that if it was going to be a monopoly, it ought not to be a monopoly in foreign hands.

Mr. Schele.—That was the impression I got from the papers, but that was not a unanimous opinion as far as I could understand.

President.—Surely, opinion can never be unanimous on a point like that. Then you say that there are two charges made against the Swedish Match Company. The first is that it carries on a systematic dumping policy with the object of destroying the business of the local Indian match manufacturers. Of course they don't put it that way exactly.

Mr. Schele.—Some people have done it.

Price-cutting.

President.—I am talking of the manufacturers. They don't put it that way exactly. What they say is that there has been a sort of price cutting war between yourselves and the Indian manufacturers. Your case is that they have been cutting their prices and their case is that you have been cutting your prices but the fact is that prices have been going down since 1923-24.

Mr. Schele.—Not exactly that. I would not say that that is our case. We have certainly been cutting our prices and so have they. But the point is that we have both been doing it at the same time. We have been cutting our prices in order to relieve our stock position, but when we cut our prices, others did it too and the result was more or less *status quo*.

President.—That is to say, in the beginning you started with a difference of two annas.

Mr. Schele.—We did not start with that difference. We fixed our price for instance in Bombay at Rs. 2-3-0 which was very close to the imported price at the time. I don't think that this price has been given by our competitors. We started with Rs. 2-3-0, that is one or two annas below the imported price for half size and then subsequently reduced it to Rs. 2. They were already keeping their price at that time at Rs. 1-14-0.

President.—Every time you made a reduction, they made a corresponding reduction.

Mr. Schele.—Exactly.

President.—So that now of course the prices from their point of view are not remunerative. That is what they say—I express no opinion on that point—and that is what is meant by dumping practically, is it not

or has a charge been made against you that you have been selling below your costs?

Mr. Schele.—I thought that dumping meant really that the exporting country was sending matches at a low cost to foreign countries and selling at better prices in its home market. You can hardly speak of dumping within a country. I have never heard of that.

Dr. Matthai.—The way in which you have described the position is this that since you came into the field there has been very large increase in the internal production of matches and the necessary result has been a much higher degree of competition than before.

Mr. Schele.—Yes.

Dr. Matthai.—The result has been a continuous decline in prices.

Mr. Schele.—Yes, but that is not entirely due to us because the other factories have also been steadily increasing their production, so it is not quite correct to put it that way. All the factories in Bombay have been increasing their production steadily. We started with 25 cases and other factories started with 10 cases. To-day they make 80 and we make 180 cases.

Mr. Mathias.—As regards your own attitude, you have been constantly increasing your production.

Mr. Schele.—Yes, up to what we consider an economic unit for a match factory.

Mr. Mathias.—As your production increased more and more, you had to find a market and in order to find a market you had to reduce your price, is that correct?

Mr. Schele.—Yes.

Mr. Mathias.—And your competitors are probably exactly in the same position.

Mr. Schele.—Yes, and I would add that the increase in production which was originally caused by extensions of the factories has lately been caused by the increased capacity of the machines. So, it has really been a development—what shall I say—irrespective of our own doings in a way.

Mr. Mathias.—And possibly by increased efficiency in labour too.

Mr. Schele.—Yes, labour *cum* machinery.

President.—Mr. Kreuger makes a point that so far as your price policy is concerned, you don't sell below your cost of production (that is say, below a price inclusive of all charges except profit); is that correct?

Mr. Schele.—Quite correct.

President.—Wherever there has been a reduction in your prices, it has more or less corresponded to your cost of production, is that right?

Mr. Schele.—Yes.

Mr. Mathias.—Are there no cases in which you have sold below your cost of production?

Mr. Schele.—Not as far as possible below the estimate or the likely trend of cost prices in the future.

Mr. Mathias.—You would exclude damaged goods I suppose?

Mr. Schele.—We have to make a rough estimate. If we go a few per cent. wrong in one direction or another, it is impossible to prevent.

Mr. Mathias.—What I meant was that it would not apply to damaged goods or goods in stock for a long time.

Mr. Schele.—That would naturally influence our cost at the end of the year taking an average. As an illustration of our policy there I would like to draw the Board's attention to the fact that at the beginning of this year we had very heavy stocks at our factories for the very reason that we did not see our way to reduce prices, as our cost of production then was higher than it is to-day.

President.—Your cost of production has gone down since then.

Mr. Schele.—Yes. The result has been that prices have been reduced and also the stocks. At that time we rather accumulated stocks than reduced our prices.

President.—I remember when you were examined in Calcutta you said that your stocks at Ambarnath were worth something like Rs. 14 lakhs.

Mr. Schele.—Yes.

President.—What do you estimate the stocks now?

Mr. Schele.—They are just what we need to carry on.

President.—Can you give me just an idea of what they might be?

Mr. Schele.—I have got one figure for the end of October—1,684 cases, or about 84,000 gross, and of course we had then various quantities in transit.

President.—It has been reduced from Rs. 14 lakhs to Rs. 80,000.

Mr. Schele.—Yes. In April 1927 we had tremendous stocks—I don't remember the figure now.

Mr. Mathias.—In your replies to the questionnaire, you give the average value.

Mr. Schele.—We had 13,000 cases in April at Ambarnath and Calcutta combined. At Ambarnath we had Rs. 6½ lakhs worth of stocks.

President.—That would include your imported stuff, would it not?

Mr. Schele.—No.

Alleged attempt to secure a monopoly.

President.—The second charge referred to in Supplementary Statement No. 1 is that the company is aspiring to a monopoly of the Indian match trade in order to be able to charge the public exorbitant prices for its products. That word monopoly is always used, but I think that it is rather loosely used.

Mr. Schele.—I am afraid so.

President.—What people mean is not necessarily that you have a monopoly in the sense that no body else does the business except yourselves but that you have a predominant interest in the industry. That is what is meant, that is to say at least more than half—it may be 60 or 70 per cent.—to that extent is not this charge true? The Swedish Match Company ordinarily aims at getting 60 to 70 per cent. of the business in any country in which it operates, is it not?

Mr. Schele.—I would not call it a charge nor is it an aspiration on our part because we have 50 per cent. of the total consumption in India now. That is a fact; anybody can see that.

President.—Taking the world generally, I suppose you are possibly controlling 65 per cent. of the world's production.

Mr. Schele.—I cannot say right off.

President.—From the official reports—I am speaking from recollection—that is the impression that one gathers.

Mr. Schele.—I think that we gave a figure ourselves in one of our Director's reports for the International Match Corporation.

President.—I thought that it was 65 per cent.

Mr. Schele.—I don't exactly remember the percentage, but it is on record.

Mr. Mathias.—The production in Sweden alone is 33 million gross.

Mr. Schele.—I would say 30 million gross.

Dr. Matthai.—But it would be true generally to say that the Swedish Match Company aims not at monopoly but at control.

Mr. Schele.—No, I would say that we aim at maintaining the position we have had for the last 30 or 50 years in the world's match trade.

President.—What is the position?

Mr. Schele.—It is a leading position. As the consumption of matches has increased, so have the figures increased.

President.—What percentage of the world's demand do you think would satisfy you—I would put it to you that way?

Mr. Schele.—I would not like to express an opinion on that because it is really a question for the Chairman of the Swedish Match Company to answer.

President.—Can you tell me what percentage you claim to have now?

Mr. Schele.—I think that that is on record somewhere in the papers submitted to you.

President.—I will look for that but I would like you to say.

Mr. Schele.—Unfortunately I have not got copies of those papers. If you want I can give you that information afterwards.

Dr. Matthai.—May I put it this way? Having read the papers that the company has kindly furnished us with, the general conclusion that I have formed is that the Swedish Match Company does not desire, in the countries in which they operate, to oust necessarily other people from the business but they do desire to get a controlling voice in the determination of prices?

Mr. Schele.—I would refer you to what Mr. Kreuger says in the memorandum—"the company has never aimed at obtaining a monopoly of the trade, but only at getting the opportunity to compete on equal terms with its competitors". That means we are quite satisfied if our competitors fix the prices because we know that if they fix the prices to cover their cost, we shall do well.

Dr. Matthai.—That is to say where you cannot arrive at some kind of friendly arrangement with your fellow factories as to reasonable prices, your policy would be to enforce such influence as you have in the trade to arrive at the prices that you want. If it could be done by friendly arrangement, you would adopt that policy, but if it could not be done by friendly arrangement, you would use such influence as is open to you.

Mr. Schele.—Our policy does not concern prices. Our policy is to compete on equal terms and thereby leave the rest to the other factories.

Dr. Matthai.—What you want is to retain the controlling position, that you have been able to build up in the match trade during the past 50 years and the only way in which it can be done is by securing reasonable prices; otherwise you would be washed out.

Mr. Schele.—I know that would be done automatically because other factories naturally want to have a profit.

President.—I will put it to you this way. I don't go by what the policy is. You are the best judge of that policy and I have no means of finding out what it is except your actions. There are three ways in which the Swedish Match Company generally operates. The first is where it can do so it will get a monopoly through Government. There are cases like that. That is one method, and that is a complete monopoly, is it not?

Mr. Schele.—Yes, but I would say that we are as a rule being called in to help in establishing a monopoly.

President.—Very well, we will put it that way.

Mr. Schele.—That is a big difference, is it not?

President.—It really comes to the same thing. What I was suggesting to you was that one method was to secure a monopoly. I don't say you go there and declare a war against the Government which does not give you the monopoly. When the Government gives you a monopoly, it must ask you to go there.

Mr. Schele.—What I mean is that the idea originates from the Governments, not from ourselves. Consequently it is not really a method of operating.

President.—You can put it that way if you like. But I can put an idea in your head and can claim that the idea originated from you, can't I?

Mr. Schele.—I think you can. But what you say is like trespassing into somebody else's ground. Either you go on your own initiative which is trespassing or you are being called upon to visit the ground for some purpose. The two things are different.

President.—There are some countries in which you have that position.

Mr. Schele.—I should say all countries where we have a monopoly.

President.—There is this other method, *viz.*, that you have got factories in most countries now.

Mr. Schele.—I submitted a list to you specifying the countries.

President.—Then you come to a sort of amicable arrangement with the manufacturers where you generally have a controlling interest in the industry.

Mr. Schele.—In some countries we have more factories than others have.

President.—Then, there is a sort of mixed case where you come to an arrangement with the manufacturers, but sometimes Government intervenes as in the case of——, is not that so?

Mr. Schele.—Yes.

President.—Then, there is the last method, one about which we are at issue, where you can neither get the Government to invite you to give you a monopoly, nor can you enter into arrangements with the manufacturers. The obvious course for you is to compete in the open market on a footing of equality, is not that so?

Mr. Schele.—Yes.

President.—The natural consequence must be that you being a very powerful party, the weaker party must go out. We do assume that you are a very experienced company; that you have got very large resources; that you have got a very intricate organisation both as regards purchase and as regards selling. With all those advantages you say you go into a market and you want to compete on an equal footing. Obviously nobody has so good a position in the trade as you in the world and therefore the natural consequence must be that the weaker man must go out and that substantially is the kind of complaint that these people are making, is not that so?

Mr. Schele.—No, because we are not intentionally out to destroy.

President.—Why should you be?

Mr. Schele.—That is what they say.

President.—From your point of view, it is a legitimate business.

Mr. Schele.—There is another point and that is that as long as we don't claim 100 per cent. of the consumption in the country, there is plenty of scope for the others, even though they are less efficient.

President.—That is what we are trying to investigate.

Mr. Schele.—You get one group, *viz.*, the Swedish Match Company supplying a certain percentage of the country's demand and you get another group supplying the rest. In the latter group, the weakest will go out in the ordinary course of competition. It is not that we go and drive out the whole lot.

Dominant position of Swedish Match Co.

President.—To-day on your own figures you have got 50 per cent. under your direct control.

Mr. Schele.—Yes, including imports.

Mr. Mathias.—If you want another 50 per cent., that is 100 per cent., does not that mean that you will have to drive out all the factories?

Mr. Schele.—Yes.

Mr. Mathias.—It depends entirely on what percentage you are or will be content with.

Mr. Schele.—But we have never showed any tendency in that direction.

President.—What is the position in India to-day? Now I think that Mr. Bierman will come to give evidence as regards the affidavit.

Mr. Schele.—As a matter of fact he is preparing a counter-affidavit which will be handed in this afternoon.

President.—The allegation there is that the Swedish Match Company tried to buy up some of these factories. We will wait until Mr. Bierman comes forward with his affidavit.

Mr. Schele.—I should not hold the enquiry up. I would say right away that that is a fact.

President.—That is a fact.

Mr. Schele.—Yes, not to buy them but to have an interest in them.

President.—The interest amounting to 51 per cent., is that correct?

Mr. Schele.—Yes.

President.—That simplifies matters.

Mr. Schele.—Yes.

President.—You have bought one or two factories already in India, one of which was at Parel.

Mr. Schele.—That was our own show. What we bought was the Mandalay Match Company or rather the Irrawaddy Match Company which had been closed for 10 years, and the Burma Match Company which was more or less a stumbling concern. Those are the only two factories which we bought.

President.—Those factories you have closed.

Mr. Schele.—The Burma Match Company we are working.

President.—The Parel factory you have closed down.

Mr. Schele.—Yes.

President.—Take the total production of India to-day. Would you put it at 10 million gross?

Mr. Schele.—It is extremely difficult to give a correct figure.

President.—Roughly?

Mr. Schele.—For instance if you take 16 million gross as the total consumption of India—which is what you said in Calcutta—and allowing 4 million gross for imports which I believe was the figure, you would arrive at 12 million gross for local factories.

President.—Look at the position to-day. Your actual manufacture would be about 4 million gross.

Mr. Schele.—Do you mean all the factories?

President.—Yes.

Mr. Schele.—It would be more now. It would probably be 5 million gross this year.

President.—That leaves 7 millions to others.

Mr. Schele.—Yes, if you take the imports as the same, but they have been steadily going down.

President.—I am talking of the domestic manufacturer. We will leave alone the imports. If you add the imports which are 4 millions.

Mr. Schele.—Last year it was 4 millions. This year it is only 3 millions, or not even that perhaps.

President.—We will take it as 3 millions. You have got 50 per cent. of the total demand.

Mr. Schele.—Yes.

President.—Take the proportion of the hold you have on the domestic manufacture—5 against 7 millions.

Mr. Schele.—That was last year. But as regards this year, I should say 5 millions against 8 millions would be more correct.

President.—If you were to have 51 per cent. interest in the remaining factories, it would give you another 4 millions. That would give you 9 millions out of 13 millions in the country, if you could carry out your policy.

Mr. Schele.—Yes, but when we offered other manufacturers in these instances to take an interest in their factories, our offer was generally combined with an offer of shares in our own concerns to them.

President.—It means this that in every case you would have at least 51 per cent., and you would not let your interest fall below that, is not that so?

Mr. Schele.—Yes, that means again this. If we gave away shares in our companies, we should have 51 per cent. in other companies, to whom we gave shares. That is what we aspire to.

Mr. Mathias.—What you aspire to is to get sufficient interest in all the companies, whilst retaining sufficient interest in your own companies, to stabilise prices.

Mr. Schele.—Yes, to stabilise price and to avoid wasteful competition—exactly what you put down in your circular letter to the Chambers.

Mr. Mathias.—In the concluding paragraph of that letter, we specially disclaim any responsibility for the views stated in that letter. We say that they are for illustrative purposes only.

Mr. Schele.—I am afraid people have not read the last paragraph so well as the others. Take for instance the "Indian Daily Mail." Last Monday there was a leading article in that paper where the allegations regarding our activities had been taken as facts, and I understand that this does not refer to the "Indian Daily Mail" only but to others as well.

President.—If you were guided by the opinions expressed in the press on our proceedings, I think you would be running grave risks.

Mr. Schele.—What I am afraid of and what my company is afraid of is that the public will get a wrong impression.

President.—What am I to do? We take every precaution that we possibly can.

Mr. Schele.—Yes, I see that, but as for myself I sincerely hope I shall be able to dispel those allegations and I hope that in that case the Board will be gracious enough to declare those allegations as unfounded if I succeed in dispelling them because, as it is, they are being looked upon as facts. Have you read that leader?

President.—I read it. It left no impression on my mind. I simply read it and put it away.

Mr. Schele.—All people have not got such a clear mind as you.

President.—The public and the press must look at it only from their point of view; that is obvious. Then, are we to assume that that would be your policy, that is to say, to get at least 51 per cent. interest in the business or actual control in the companies?

Mr. Schele.—Yes; provided Indian consumption was covered by local production only; I presume so, but I would like to consult my Chairman on that point because he is after all the person who decides the general policy.

President.—We are not committed to any view, but supposing protection is granted?

Mr. Schele.—I don't see how we should be able to defend our position if we did not have the majority. Otherwise we would be pushed out very soon.

President.—There is really a distinction. If you have 51 per cent. of the business of the country in your hand, then you have a predominating interest in the manufacture. You would have a very large voice in the regulation of prices and so on. But if you have 51 per cent. interest in every company that manufactures matches, it gives you complete control over the whole industry which is entirely different from the control which you would have if you had only 51 per cent. production? Do you understand my point?

Mr. Schele.—Yes.

President.—The objection is not so much to your having 51 per cent. business as to your having 51 per cent. control in every undertaking which gives you a practical control over the whole industry.

Mr. Schele.—I realise that there was a misunderstanding. That is not our ambition at all. What we want is about 50 per cent. of the business or turnover.

President.—You have got it.

Mr. Schele.—Yes. We don't necessarily want any interest in any other Indian company. As a matter of fact I have had offers from several quarters that we should buy other Indian factories, but we are not interested.

President.—What the affidavit makes out is that you have got already 50 per cent. of the business and on top of that you want to get 51 per cent. interest in the remainder of the industry.

Mr. Schele.—That is wrong. In those days we did not have 50 per cent. of the business and our idea was that by combining our interest with the Santa Cruz factory which has submitted this affidavit we would be able to prevent the overproduction that subsequently took place and to introduce standardisation and avoid wasteful competition.

Dr. Matthai.—At present you are able to get 51 per cent. of the business in your hands, that is to say of the total production in India, while the other 49 per cent. consists of the output of about 15, 20 or even 25 factories. Each of these people has his own output and there is therefore very intense competition among them. The result of that competition is bound to react upon you also. The result will be that your prices will be pulled down. Now I suggest to you that that is not in consonance with your policy. What you want in every country is a position which would enable you to secure reasonable prices and to prevent this sort of competition that will pull down all prices to uneconomic level.

Mr. Schele.—That is not our aim.

Dr. Matthai.—Do you definitely disclaim that?

Mr. Schele.—Absolutely.

Mr. Mathias.—With your large factories, you would be able to produce more cheaply than other factories.

Mr. Schele.—We should be.

Mr. Mathias.—So that however much the competition went on, so long as other factories were not selling below their cost of production, you would still be making satisfactory profits.

Mr. Schele.—Yes.

Mr. Mathias.—Then what was your object in getting or attempting to get 51 per cent. in other factories?

Mr. Schele.—As I said, it was with a view to standardise matters. But that was in the very initial stage of our activities here.

Mr. Mathias.—Would I be right in concluding that this policy which was your policy in 1923, has since been abandoned in the light of subsequent events?

Mr. Schele.—I don't quite see what you consider was our policy in 1923.

Mr. Mathias.—Your policy is alleged to be to obtain a dominating interest in match factories in India so that you would be in a position to fix prices.

Mr. Schele.—No. We foresaw already at that stage that imports were bound to go down and that unless we replaced imports by local production, we could not keep our place in the markets. The way of doing that was either by building our own factories or buying old ones. In certain instances we built new factories and in other instances we bought some old ones as in the case of Burma. This idea of obtaining 51 per cent. interest in the Santa Cruz factory was to get the factory for us in order to keep our position in the market.

Mr. Mathias.—The idea was, starting with 51 per cent., to acquire the whole factory finally.

Mr. Schele.—No, only to have 51 per cent. interest in the factory and to supply a certain share of the market.

Mr. Mathias.—This is an alternative to building new factories.

Mr. Schele.—Yes, or to buying some other factories.

President.—First of all, assuming that protection is given or the duty is declared protective, then your imports may be reduced to one or two millions which will come in for the better class of consumers, so that you have got there 2 million gross which you must manufacture in this country in order to maintain your position.

Mr. Schele.—2 million gross?

President.—The first step that you would naturally take is to increase your production by 2 millions.

Mr. Schele.—I think so.

President.—Now, having done that, you simply say “I have got 7 millions to manufacture here” and as regards the remaining 5 or 6 millions you don't do anything at all. You simply increase your production gradually in order to reduce your costs. In course of time, the natural effect of that must be that many of those who are working on a much smaller scale must go out. If your progress follows its logical course, all of them must be extinguished. Further, we don't want to interfere with you at all, and whatever protection is given is given to you also. In that case, is there any very serious doubt as to the disappearance of the other Indian manufacturers simply by your penetration or by your superior organisation and lower costs?

Mr. Schele.—I think that there is room for all of us.

President.—How can there be room?

Mr. Schele.—We would not take more.

President.—What would you do?

Mr. Schele.—We would not take more than the reduction in the imports and that reduction would naturally leave a gap in the market which had to be filled, and we intend to fill that gap only.

President.—How can anybody prevent you from taking the whole market?

Mr. Schele.—Only our own decency.

President.—What form will your decency take?

Mr. Schele.—I think probably our company will be prepared to give an undertaking.

President.—To whom?

Mr. Schele.—To the Indian Government.

President.—The Indian Government could take an undertaking from you if it was actively interested in the manufacture. But supposing the Indian Government said “The Swedish Match Company shall not sell its matches below Rs. 1-6-0”, how can it prevent the other manufacturers from selling below that figure? Then you go out. If the Indian Govern-

ment takes an undertaking from you which undertaking does not extend to other manufacturers.....

Mr. Schele.—It must be mutual. Otherwise they will extend and then there will be very low prices and the weaker man will again go out.

President.—Then the position is this. If the Government were to allow economic forces full play, then the logical consequence would be that the whole business must pass into your hands, because the industry would start with certain advantages in your favour. Supposing nobody did anything and you took simply the pure economic view of the thing?

Mr. Schele.—That depends on how much we are prepared to cut into our profits.

President.—You don't cut into your profits.

Mr. Schele.—If we sell at Rs. 1-4-0—for the sake of argument let us say the prices are fixed in accordance with the demand and supply. At Rs. 1-4-0—there is a certain demand for our matches which we consider corresponds to our present production. Unless we reduce that rate, we won't sell more. Then, other people selling at perhaps a lower rate will supply the rest. That is the way in which prices are fixed in the ordinary course of business.

Mr. Mathias.—You said that you would be prepared to give an undertaking. Do I understand your statement to mean that will not produce in India or put on the Indian market more than so many million gross of matches and in order to secure the marketing of that amount, you would be prepared to cut prices or whatever was necessary but would not go beyond that? Is that correct?

Mr. Schele.—Yes, it is only an assumption. I have no orders from my head office on that point. Why I am saying as much as this is that our Chairman, Mr. Kreuger mentioned to the President when he was in Sweden that 50 per cent. would satisfy us. I would not say even 51 per cent.: 50 per cent. according to Mr. Kreuger would satisfy the Swedish Match Company.

Mr. Mathias.—That is roughly the *status quo*.

Mr. Schele.—Yes.

Mr. Mathias.—Supposing there was some representative association of all the match manufacturers in India, and they came to you and asked "what exactly is your position", then you would state the position as you now have stated it to us.

Mr. Schele.—Yes, subject to confirmation from my head office. Seeing what was mentioned, I think I am justified in saying that.

President.—Unless there is an organisation which is formed either by voluntary agreement or by the intervention of Government, there is no way in which 50 per cent. can be kept for you and 50 per cent. for the Indian manufacturers. Either you go out or they go out.

Mr. Schele.—I do not know.

Inevitable consequences of competition.

President.—Listen to me. How can you have 50 per cent. if there is no association or if there is no Government intervention? If you are to fix a price, that price can never be maintained. The economic laws must prevail. Others might say "they are selling at Rs. 1-4-0, that is a profitable figure. We shall sell at Rs. 1-3-0". Then, you reduce your price to Rs. 1-3-0, and thus the reduction in price goes on until you or they go out.

Mr. Schele.—That is on the supposition that other factories extend and carry on exactly as they like. They must also stick to their present production. My contention is that with certain small profits there would be no inducement for new factories to be built or for factories to be extended, and that is how other industries are being worked now.

President.—There are two alternatives now. Take first of all the economic position. If the economic laws were allowed to prevail, then having regard to the special conditions which have been mentioned more than once, the whole business must pass into your hands if no one intervened. That is one alternative. That you yourself would not like, I admit.

Mr. Schele.—I don't think that it would pass into our hands unless we reduced our prices sufficiently.

President.—You would be able to reduce your prices because you have got more experience, better organisation, more resources and so on.

Mr. Schele.—The difference may not be so big. I find in certain instances in the replies that Indian factories have lower cost prices than we have at present and in others they are about the same.

President.—Those factories which have higher costs must go out.

Mr. Schele.—That is the ordinary economic result.

President.—I believe there is only one factory which has been able to show a lower cost as far as I can see at present.

Mr. Schele.—I think that the Santa Cruz factory and the Bombay Match Works are very much the same.

President.—There is a difference between the two.

Mr. Schele.—There is only a difference of half an anna.

President.—But then the chances are that your costs may fall in greater proportion than theirs and when that happens, they must find it difficult to compete against you.

Mr. Schele.—Yes, if we reduced our rates. Why should we reduce our rates?

President.—Because your costs have come down.

Mr. Schele.—We must get some profit in the ordinary commercial way.

President.—We assume that you sell at a profit and they also sell at a profit. The point is that you should be in a position to make your profits on a lower figure than they would be generally speaking.

Mr. Schele.—Yes.

President.—If that were to happen all or most of the business must pass into your hands.

Mr. Schele.—That does not apply to all industries. Take the case of Great Britain. Why are there not more paper mills for instance? Because the industry at present only gives a certain return which does not present enough inducement for new paper mills to be built. Take any other industry either in Europe or in this country. All over the world it is the same. My contention is this. If the profits on match manufacturing in this country are normal and not presenting any special inducements for others to come in, then the factories will remain as they are to-day and there will be no new factories.

President.—That argument may apply to the present factories. We will not talk of any new factories. You may find it remunerative to work at 8 per cent. It may give you a fair return but they may not find it so. If at this price they go out, you say "no new factories will be allowed and then you step in."

Mr. Schele.—If we are satisfied with a smaller margin of profit, it is to the benefit of the public if others go out, but I don't see why there should be a very great difference in the requirements.

President.—There is one other point which I think you would admit. The Swedish Match Company has a very big name in the match world, has it not?

Mr. Schele.—Yes.

President.—Therefore, in the ordinary course for the same class of matches people would be prepared to pay you a little higher price.

Mr. Schele.—If we maintain our quality, yes; not on our name but on our quality.

President.—Even if these people manufacture the same quality, still your name would tell in your favour and you may get half an anna or an anna per gross more. That gives you some margin over and above your costs which may be lower.

Mr. Schele.—Then, the cheaper quality costs less to make.

President.—I am talking of the same quality.

Mr. Schele.—Unless there is a difference in quality, our name does not tell.

President.—Oh yes, it does.

Mr. Schele.—Not in India.

President.—This is the first time that I have heard this from you.

Mr. Schele.—We certainly won't sell our matches at a premium simply on account of our name. We have had many occasions when our quality was not up to the standard, and then our prices have had to be reduced.

Mr. Mathias.—Is not the Indian market a peculiar market? Certain labels have been commanding, and will command, for several years higher prices even though the quality deteriorates.

Mr. Schele.—I think that the Indian public recognise very quickly if the quality deteriorates, and it has often happened in the past that labels have gone out of consumption on account of some mishap to the quality.

Mr. Mathias.—Take the Santa Cruz Match Works and your own match works. Actually you have a slight advantage in the way of price in the market. You say that it is a question of quality. If you take their costs and your costs they stand now, they are very much the same. Obviously you have certain advantages. If they are going to produce matches of the same quality as yours their costs are going to go up, so that it really comes to the same thing.

Mr. Schele.—I don't know that their costs were the same.

Mr. Mathias.—You said just now that they were the same.

Mr. Schele.—I said that their costs were even lower.

Mr. Mathias.—They are very much the same.

Mr. Schele.—That is what you say.

Mr. Mathias.—I took you to be saying that they are very much the same as yours. Take any factory which is very much the same as yours. They don't produce the same quality. If now they are going to produce the same quality their costs are sure to go up. Therefore you have distinct advantages.

Mr. Schele.—Yes.

Mr. Mathias.—Therefore you might be making profits with reduced prices, whereas they would be making losses.

Mr. Schele.—Yes.

President.—The natural consequence is that they must go out.

Mr. Schele.—But if we give you the assurance!

President.—I am prepared to take your assurance. But how am I going to give effect to that assurance? How am I going to prevent your rivals from cutting your price and then compelling you also to reduce our price?

Mr. Mathias.—You want assurance from both parties.

Mr. Schele.—It seems to me that there should be means of getting that assurance.

Dr. Matthai.—Is there anything in your policy to prevent you from extending your business so as to cover a much bigger field in India than you do now provided there is money to be made?

Mr. Schele.—We want to be reasonable.

Dr. Matthai.—You are out here for business.

Mr. Schele.—Certainly.

Dr. Matthai.—Provided there is no external restriction, you will go on extending.

Mr. Schele.—We realise that we can't do that. 'Live and let live' is our guiding principle everywhere.

President.—We have discussed the economic position. The business must pass into the hands of the most fit unless there was this association formed either by Government or in some other way. Supposing you go on competing in your ordinary way and you come to a point when you feel that you have got 75 per cent. and only 25 per cent. remains. Would it not be your policy at that stage to come to an agreement with those factories that are left as regards the standardisation of prices?

Mr. Schele.—That position will never arise because we won't go on competing.

President.—How do you mean?

Mr. Schele.—We will carry on with our factories as they are and our price policy will only be based on the fact that we must get the balance or equilibrium between our production and sale.

President.—When a sufficient number of them have gone out and only two or three remain it would be very easy for you to go to these people and say "all the other heroes are dead; we have won the war, now let us divide the spoils".

Mr. Schele.—I quite agree that would be easy.

President.—That would be the normal course.

Mr. Schele.—The initiative would not come from us.

President.—You would say "let us come to some arrangement. We are of course the bigger brothers. Let us stop this fight now and let us agree." That is the natural course.

Mr. Schele.—That seems to be the logical consequence of the situation you have pictured.

President.—That is what has happened in some other countries. Take the case of Belgium. That is the position there, is it not? There was very keen competition there between you and the local factories and then according to the information I received there the Swedish Match Company had to buy out some of those factories which they did with one or two unpleasant experiences because the people who sold out one factory, built another and the Swedish Match Company was faced with a very awkward position. That was what I gathered there. Eventually the Swedish Match Company refused to buy any more match factories and in the ordinary course they went out and there was this arrangement. Now the Belgian Government is enquiring into that. Such a thing might also happen in India, might it not?

Mr. Schele.—Not from our side.

President.—Not necessarily from your side. We will say from the side of the Indian manufacturer.

Mr. Schele.—Unless factories are very reasonable and have as their guiding principle to give service to the community, in my opinion, they cannot exist. There is bound to be this. Either other factories might arise as it happened in Belgium or if they abused their position too much Government would step in at that juncture.

President.—The Belgian Government found that they were too late to do anything.

Mr. Schele.—I don't think so.

President.—Anyhow they have not done anything yet. Once the stage has been reached when there is a voluntary combination between manufac-

turers, the issue is dead and there is nobody who interests himself in it enough to urge the Government to take it up.

Mr. Schele.—I feel that unless an industry gives service to the public it cannot keep a combine going for very long. It is borne out by actual experience.

Mr. Mathias.—I take it your point of view is that the old system of monopoly which meant raising the prices to consumers, is out of date.

Mr. Schele.—Absolutely.

Mr. Mathias.—The present policy of a monopoly is to fix prices at such a level as will not permit new competition to be started.

Mr. Schele.—I think that is the impression you get if you look round.

Effect of the monetary unit.

President.—We will go on to Mr. Kreuger's statement. We have digressed a bit, but it was necessary. We will have to go back to this point when we deal with our circular. Mr. Kreuger goes on to say "In many instances the monetary system of a country is decisive for the retail price which the public has to pay", and then he quotes the instances of Great Britain and the United States of America. How would the monopoly system affect the prices in India?

Mr. Schele.—You don't have less than a pice; that is the smallest coin used, and as you get certain units of that coin, they must be used automatically. You get $1\frac{1}{2}$ pice, half an anna and one anna.

Mr. Mathias.—I don't quite follow this point that the monetary unit determines the price. For instance, you say that in Great Britain, the retail price of matches will be at least 1 penny a box. My recollection of 20 or 30 years ago was that three boxes were sold for 1 penny. Why should you not have 2 or 3 boxes for a penny?

President.—The half-penny is still used.

Mr. Schele.—That is not used very much.

President.—I had many half pennies in my pocket when I was in England. In India, the pice may be the lowest unit for retail purposes but that would be independent of the price at which you are able to sell your matches?

Mr. Schele.—Yes.

President.—So that if we find that somebody is pocketing the difference between your price and the pice, means may be found to prevent it.

Mr. Schele.—I think that it would be rather difficult but on the face of it there is a difference of a rupee.

President.—That difference is much greater than it ought to be.

Mr. Schele.—Yes, but then we have freights up-country; then, we have forwarding charges, carting charges, etc., and we must have middlemen after all.

President.—We have been trying to collect evidence as to the quantity of matches sold by the box and by the dozen, but we have not been able to get any evidence.

Mr. Schele.—I don't think that anybody in India can say that without resorting to guesswork.

Dr. Matthai.—As regards the economic conditions that you refer to in this memorandum, the question of purchasing power in a country is far more important than the question of the monetary system as regards retail prices.

Mr. Schele.—There is a certain connection between the monetary system and the purchasing power; there ought to be anyhow.

Dr. Matthai.—The monetary system is very often the result of the purchasing power.

Mr. Schele.—That is what I mean.

Dr. Matthai.—The primary cause is the real purchasing power. If your purchasing power is low, you need to have very small coins so that as between a European country and an Asiatic country, the main point is the purchasing power.

Mr. Schele.—Yes.

Sweden's small home market.

President.—Mr. Kreuger says that Sweden has not the advantage of a big home market in order to enable it to sell matches in foreign countries at a lower price than in Sweden. That is his point. Now, that is true to some extent. The home market of the Swedish Match Company cannot be confined to Sweden. It has got the whole world. It has got a sheltered market in many countries, is not that so?

Mr. Schele.—Yes.

President.—Therefore it may be possible for the Swedish Match Company to sell its matches at a higher price where there is no competition and at a lower price where there is, so that even without a big home market in the literal sense, it is able to do so because of its sheltered markets.

Mr. Schele.—There again I would refer you to what Mr. Kreuger says later in this memorandum—"For every one who wants to look at the situation in a fair way, it must also be quite clear that a Company doing its main business outside its own country is so dependent upon public opinion that it cannot retain its markets except by giving the public a better and more efficient service than the competitors are doing."

President.—That is admitted as a general proposition; nobody disputes it. I am concerned with this narrow point, *viz.*, the fact that you have not got a big home market, that is to say in Sweden, does not preclude the Swedish Match Company from selling its matches at a higher price where it has got a sheltered market.

Mr. Schele.—Why I quoted that paragraph was to show that it must be within reasonable limits, so that there cannot be any very big difference as you will get in a case where the home market is big and they sell certain quantities for export.

President.—In this case, your home market is very small.

Mr. Schele.—Exactly.

President.—But your market outside in the world is controlled by you.

Mr. Schele.—In those markets we have to keep our price at a reasonable level for the reason that I have quoted.

President.—They may not be in the same level as they are in countries where there is competition.

Mr. Schele.—Yes, there must be some margin naturally.

Dr. Matthai.—Your point is that the margin is not likely to be excessive.

Mr. Schele.—Quite so.

Dr. Matthai.—There are strict limits within which you can vary the prices. Where you have State monopolies as in Greece or Peru, there the maximum prices are fixed by Government.

Mr. Schele.—In Greece for instance we sell at a fixed price.

Dr. Matthai.—What is the arrangement in Peru?

President.—I think that the maximum price is also fixed there if I am not mistaken.

Mr. Schele.—Yes.

President.—In Poland I think it is the same.

Dr. Matthai.—So that your power of raising prices in these other countries is limited either by Government action or as you say by public opinion.

Mr. Schele.—By public opinion chiefly I should say.

President.—Again Mr. Kreuger says “In the case of matches exported from Sweden profit has for the last years been kept on a very nominal level”. Nominal level may mean anything; it may mean no profit at all. Now I put it to you this way. I think you have given us the price of imports as 1 shilling c.i.f. per gross. Supposing it became necessary for you to reduce the price below that figure in order to enable you to retain such market as you have, could you do so or have you reached the economic level?

Mr. Schele.—I don't think we would do it.

President.—Then again he says “In view of the uncertainty regarding the view of the Indian Government upon the existing high import duty on matches.....the Swedish Match Company has wanted to maintain its well known Swedish brands in the Indian market even at an extremely small margin of profit to itself”. The idea is I suppose if protection were removed then you would cease to manufacture here or would reduce the manufacture in India and import more matches and therefore it is necessary for you to maintain these labels. I don't understand what the argument is unless it is that.

Mr. Schele.—From the beginning, the local manufacture was very small and we could not conceive that the duty which amounted to more than 200 per cent. on the value of the goods could be maintained for a long time. Consequently when the duty was removed or reduced to a normal level we wanted our trademarks to be known in the market; otherwise we would have to start the same work over again as we did 30 years ago.

President.—That is to say, the position would be this. If the duty of Rs. 1-8-0 were removed, you would naturally manufacture less in the country and import more.

Mr. Schele.—Yes.

President.—If on the other hand it were retained, you would manufacture more matches in the country.

Mr. Schele.—That is the logical conclusion.

President.—Until you know that, you feel it necessary to maintain your labels.

Mr. Schele.—We have to keep things going.

President.—Then again it is said “However, should the duty be declared a protective one, the price policy outlined above would not be continued”. What would you do?

Mr. Schele.—It would mean that we would not be prepared to sell at those low prices any longer on a nominal profit.

President.—Would you discontinue importing or what would you do?

Mr. Schele.—We would discontinue the imports at those rates which by the way are disappearing on their own. It is no use flogging a dead horse.

Dr. Matthai.—Supposing the duty is put back to the ordinary revenue duty of 15 per cent., can you give me some idea as to what the position would be of the Indian factories?

Mr. Schele.—I can only go by the past experience. When the duty was 15 per cent. there were four factories going in India, one in Ahmedabad, one in Bilashpur and two in Burma. So, I suppose, the position would be very much the same. Besides that, there would be some small factories in different parts of the country.

Dr. Matthai.—In those days, they were of much lower capacity. What I want to know is practically you would be a negligible factor in the local Indian match industry, supposing the protective duty were removed.

Mr. Schele.—That depends again on the prices of imported matches.

Dr. Matthai.—The point is this. The position at present is somewhat different from the position before. Now you have had actual experience of making matches in this country on an extensive scale. In view of that experience, the attitude that you might adopt might be different.

Mr. Schele.—One should be able to do better now against a duty of 15 per cent. than what one was able to do 10 years ago on account of the experience gained in the meantime.

Dr. Matthai.—What I want to know is this. Would you consider that your experience of these three years is that there is some possibility of organising the local match industry in India? You have now discovered as a result of production on a large scale for the last three years that there is some possibility of making matches in India. Therefore even if the duty were removed, it would be possible to keep your established industry here.

Mr. Schele.—Yes, to a certain extent.

Dr. Matthai.—Would it really make any material difference? So far as you are concerned, your costs have come down.

Mr. Schele.—Still we would always be at a disadvantage compared with our prices in Sweden. But that disadvantage as you can see from our figures is 50 per cent. Consequently a duty of 50 per cent. should keep the industry going.

President.—Then again Mr. Kreuger says "When our competitors have claimed that we were charging excessive prices in different countries they have been unable to give any other instances than the prices of matches in countries with State monopolies such as Peru". We have not heard—at least I have not heard and I do not know whether my colleagues have heard or not—that you are charging excessive prices. The point made against you and against all combines in the world is that as soon as they are in a position to control prices then the natural tendency is to raise prices. They may not be excessive but they may be at a level which the market can bear having regard to everything. Do you deny that that is the natural result of a combine?

Mr. Schele.—Service to the public is our first duty. If we don't do that, it is bound to go against us in the long run.

President.—What is the good of a combine then? Nobody would combine—unless the result was that they were able to get fairly remunerative prices?

Mr. Schele.—I don't agree there. As far as we are concerned, our object is to standardise production and simplify distribution by combinations.

President.—At present according to your case, you are not making any profit or very little on your prices?

Mr. Schele.—Yes, in India.

President.—Supposing there was the combine the first thing that you would do would be to raise the prices.

Mr. Schele.—Yes.

President.—You find that the market can bear a little more. What I am asking you is this. Would you be prevented from any moral motives from putting up the price when you feel that nobody is going to mind it?

Mr. Schele.—It is unpractical because if you put it up too much.....

President.—I don't say too much.

Mr. Schele.—If it is reasonable, I would say 'yes'. But if it is unreasonable, you get new factories in the country and you get the same old trouble of competition.

President.—There is a stage up to which you can run without running much risk.

Mr. Schele.—That must be after all the margin of reasonable trade profits of 10 or 15 per cent.

President.—Once all the competitors have died out, the very fact that you put up the price by two or three annas a gross is not going to induce anybody to put in more money again into this business.

Mr. Schele.—I don't agree there.

President.—Has it ever happened like that?

Mr. Schele.—If prices go up, I am sure that factories would very soon be established in India again. Of course it is very easy to make matches and even one of our competitors in his evidence the other day told you that if the Swedish Match Company pushed them out and then increased the prices, they would come back.

President.—You might raise your prices up to that level which would prevent anybody else from coming in and incurring that risk? Would not you do it?

Mr. Schele.—Yes.

President.—That is all what I am asking.

Mr. Schele.—Otherwise we would not be business people.

President.—No, I quite agree. On top of page 4, Mr. Kreuger is putting forward the argument I was suggesting to you, *viz.*, that the complaint against the Swedish Match Company is that it can afford to sell at a price which does not pay its competitors. That is the main thing.

Use of Indian wood.

Mr. Schele.—Yes.

President.—Mr. Kreuger then goes on to talk about protection—whether the industry would be able to do without protection at some future date. I think that we have got to examine that question when we come to the general issue. But there is one other point. He says that the wood problem and the question of deterioration of both Indian and imported wood during storage has not yet been satisfactorily solved. Now as regards Indian wood we have heard it stated that it is liable to be attacked by insects and so on.

Mr. Schele.—That is a fact.

President.—That is what is referred to here.

Mr. Schele.—Yes.

President.—As regards aspen wood, what is the complaint?

Mr. Schele.—It is the same. Those insects attack aspen as well.

President.—Do they?

Mr. Schele.—Yes and that is our great trouble at Ambarnath. They come over from the Indian wood to aspen.

Mr. Mathias.—What is the name of the insect? Is it an ordinary borer?

Mr. Schele.—This is the reply that we have received from Dehra Dun on the subject—"For borers referred to, remedy unknown."

President.—I will put it this way. Aspen is really affected by contagion, that is all.

Mr. Schele.—Yes.

President.—Otherwise aspen itself does not deteriorate.

Mr. Schele.—It is not attacked by worms, but it deteriorates very much.

President.—What happens to it?

Mr. Schele.—It gets dry and cracks.

President.—That is to say, you cannot keep it for a long time here as you would keep it in Sweden.

Mr. Schele.—No. There is a more continuous supply in Sweden.

Dr. Matthai.—The Indian wood deteriorates more than the imported wood.

Mr. Schele.—Yes.

Dr. Matthai.—Very much more?

Mr. Schele.—Yes, but it depends on the species.

Dr. Matthai.—What difference is it? Is it closer texture?

Mr. Schele.—As regards salai, there is a thin bark and there is not so much sap in it as in the imported wood. This is what the Forest Economist says:—(Read.)

Dr. Matthai.—You are still experimenting on methods of storage.

Mr. Schele.—Yes.

Dr. Matthai.—What is your feeling about it? Would you be able to arrive at a satisfactory method of storage?

Mr. Schele.—We have not solved it. We have tried the remedies suggested against worms but none has been successful.

Mr. Mathias.—In Burma the match factories keep their wood under water. Is that any advantage?

Mr. Schele.—I don't think so. The Indian wood gets attacked by other insects in water.

Mr. Mathias.—Is it any disadvantage in keeping it under water? In Burma they have storage tanks but the Western India Match Company does not seem to have any storage tanks to keep its wood under water. What is the reason?

Mr. Schele.—Indian wood rots more quickly in water, than if it is stored on land. Then, it is very difficult to keep the whole log under water. Half the log is under water and the other half above so that the latter gets dry and you get an uneven veneer in peeling the log.

Mr. Mathias.—Do you think it is expensive to have storage tanks?

Mr. Schele.—Yes. These must have been constructed on the advice of German experts.

Mr. Mathias.—Do you think it is an unnecessary expense?

Mr. Schele.—Yes.

Costs.

President.—We will get on now to the most important point, namely costs. First of all let us take the Ambarnath costs (Supplementary Statement II). You give your total works costs as Rs. 1-0-2. Is that the average of the 10 months of 1927?

Mr. Schele.—Yes.

President.—I want to put to you a few general questions as regards your costing system. Do you maintain regular cost sheets?

Mr. Schele.—Yes.

President.—You maintain your cost sheets under different headings one set of cost sheets deals with the materials and from that I will take the main heads. They are—Wood, Chemicals, Paper and Labels.

Mr. Schele.—Yes.

President.—And the remainder is packing.

Mr. Schele.—Yes.

President.—Then you have separated cost sheet which you call expenditure. It refers to all factory wages, your managing staff at the Ambarnath works and your miscellaneous expenses such as rates, taxes, maintenance, etc. Then you divide the first cost sheet by your production. That gives you the cost of the materials.

Mr. Schele.—Yes.

President.—And then you divide also the other cost sheet of expenditure by your production and the total of the two is your total works cost and that is Rs. 1-0-2. Is that correct?

Mr. Schele.—Yes. That is the average for 1927.

President.—Your system as regards materials is first of all you show your stocks at the beginning of the month, then you enter in another column what you receive during the month and then you show what you

have used during the month on the actual production and then the balance of the stocks at the end of the month which you carry forward again.

Mr. Schele.—That is right.

President.—You do not keep what we call unit cost, that is to say cost per 100 gross or whatever your unit may be?

Mr. Schele.—We get that by dividing, but not otherwise.

President.—That is to say yours is what is called the cost based on the profit and loss method.

Mr. Schele.—Yes.

President.—That is not the unit cost. In the case of steel we got the cost for one ton of each product and more or less the costs were maintained on that basis.

Mr. Schele.—Is not that based on profit and loss too?

President.—No.

Mr. Schele.—This is the simplest way.

President.—It is simple in this sense that it gives you less trouble to follow, but if you were to find out what each operation cost, whether there was any wastage in any particular department then.....

Mr. Schele.—We have a detailed factory report which gives the unit price in each process.

President.—You have that?

Mr. Schele.—Yes.

President.—That is the cost which would enable one to follow what the factory is doing and that I have not seen. I should like to see it at some stage. You don't know when the cost comes down or increases unless you have the unit cost for the whole year.

Mr. Schele.—This is a statement purely for financial reasons, but then we have from the technical point our unit costs which are very detailed indeed.

President.—Do you total the statements up for the year?

Mr. Schele.—Yes. We will give it to you.

President.—I take it that this is the sort of cost on which your books would be ordinarily audited?

Mr. Schele.—Yes.

President.—We will take the costs in the order in which they appear here. Your cost of wood for splints and veneers is shown as 5 annas 7 pies for 1927. Can you tell me how much Indian wood and how much aspen you have used in that? These are the average costs and I was working on the October cost and could not get the correct figure.

Mr. Schele.—I suppose the figure for October was slightly higher, because that was the month in which we got the worms in the wood.

President.—I would like you to work this out properly; give us for the month in which you did not have that trouble and also bring these unit costs when we meet in the afternoon.

Mr. Schele.—Yes.

President.—Have you brought the figures?

Mr. Schele.—I am sorry I could not bring them with me but they will be sent by a messenger in the course of the day.

Wood wastage.

President.—In Appendix III to the Supplementary Statement II you have given the quantities of wood that you require for 100 gross of matches. You have given aspen for splints—66 c. ft.—and Indian wood for boxes—9 c. ft.

Mr. Schele.—Yes.

President.—So that if you use aspen for splints and Indian wood for boxes the total would come to 15.6 c. ft.?

Mr. Schele.—Yes, if it is fresh wood.

Dr. Matthai.—What exactly do you mean by fresh wood?

Mr. Schele.—It varies.

Dr. Matthai.—If you take Indian wood?

Mr. Schele.—Savar for instance we can keep for three months.

Dr. Matthai.—About three months from felling the wood would be considered fresh.

Mr. Schele.—I would say three months from felling to be on the safe side.

Dr. Matthai.—What would you call fresh aspen in this country?

Mr. Schele.—What you get during the first four or five months of the year. The feeling actually takes place in the winter both in Siberia and in Europe. If it is shipped at that time of the year you get old aspen.

President.—Would it be right to take the average between the old wood and the fresh wood?

Mr. Schele.—I should think so.

President.—So that you get fresh wood for about half the year and old wood for the other half?

Mr. Schele.—Yes.

President.—So that for aspen the average would be about 14.6 c. ft. for splints and boxes?

Mr. Schele.—Yes.

President.—If you were to use aspen for splints and Indian wood for boxes the average would be 18.1. Is that right?

Mr. Schele.—It would be 17.8.

President.—You give 17.8 as the average for the mixed wood?

Mr. Schele.—Yes.

President.—That is a much higher figure than we have got from other Indian manufacturers. They give from 10 to 12 or 13 c. ft. at the very most.

Mr. Schele.—Don't you think that that would be due to different methods of measurement? I understand that some of the Indian factories buy their wood measured by weight.

President.—It does not matter how they measure the thing.

Mr. Schele.—I have to explain the difference. I give my figures and naturally those are correct figures from my point of view. You say theirs are very much below and the only thing I can suggest is that they measure the wood in a different way and there are many ways of measuring wood.

President.—It is not that we dispute your figures but I think it would be better if we tried to work out how these figures were arrived at.

Mr. Schele.—Quite.

President.—First of all we will go into the cubical contents of the wood in 100 gross of matches—splints and boxes. You have given the cubical content for boxes as 2.64 c. ft. and for splints 3.82, the total being 6.46. That is on an arithmetical calculation taking the size of the splints and of the veneer.

Mr. Schele.—Yes.

President.—Then according to the figures that you have given here the aspen actually required in the log would be 13.2 c. ft., or rather the average would be 14.5 c. ft. of old and fresh wood.

Mr. Schele.—Yes.

President.—So that there is a wastage of about 8.04 c. ft.

Mr. Schele.—Yes. It is about 125 per cent. waste.

President.—We have to determine whether that is a reasonable waste or not.

Mr. Schele.—That is the recognized minimum waste in match manufacture all over the world.

President.—From the log to the finished article?

Mr. Schele.—Yes.

Dr. Matthai.—That is the best practice?

Mr. Schele.—The very best practice. In Sweden I believe we estimate for the purpose of our estimates 90 for splints and 110 for boxes as the percentage and the average we get is 100.

President.—If you take aspen for splints and Indian wood for boxes the cubical content would be the same but the wastage would be about 11'34.

Mr. Schele.—I don't quite follow.

President.—17'8 c. ft. is the quantity required; the cubical content remains the same, but the wastage is 11'34 which is about 175 per cent.

Mr. Schele.—Yes, that is with the Indian wood thrown in.

President.—What are the various stages in which it is wasted? First of all the wastage would occur in the cutting of the log, would it not?

Mr. Schele.—Yes. Of course when you have old wood we will have to sort out the logs right from the beginning. That is not included of course here. That goes into the profit and loss account. The first loss is when you go to the saw where you get the end pieces; then you get the barking afterwards; then you go to the peeling machine where you have to peel off the outer layers in order to get the log round.

President.—And then you get to the veneer?

Mr. Schele.—Then you get to the layers of the veneer.

President.—That also would very largely depend upon the quality of matches that you manufacture, would it not? You can let the log run on a little more than you might in order to get a better veneer and in that way the wastage would be a little more in your case than in other cases.

Mr. Schele.—I should put that down to the shape of the log. If the log is not round you cannot peel at all, because you cannot get veneer of uniform thickness.

President.—Can you give me an approximate idea as to how much you would peel off?

Mr. Schele.—That varies tremendously with different logs. It depends entirely on the shape of the log.

President.—But aspen is more or less uniform.

Mr. Schele.—Yes.

Dr. Matthai.—It would differ also with regard to the splint veneer and box veneer, would it not? In the case of boxes supposing you had a little hole in the veneer you can still carry on?

Mr. Schele.—There is no difference there.

President.—The next stage would be in the box making and splint making?

Mr. Schele.—Yes.

President.—As regards box making you have given some figures in Appendix IX, where in giving a comparison you say in the total cost of Rs. 2'48 there is an additional wastage of one rupee.

Mr. Schele.—The total cost is Rs. 2'48 and there is a waste of one rupee.

President.—That is about Rs. 2-6-0?

Mr. Schele.—Yes.

President.—That would include not only the waste in the veneer but also the waste in the paper and other things, would it not?

Mr. Schele.—Glue is not much; paper and veneer only.

President.—How much would you assign to the veneer and how much to paper?

Mr. Schele.—I am working out those figures in the factory at different stages and I will let you have them.

President.—That will be very useful.

Mr. Schele.—I will give you complete figures (handed in).

President.—Then I suppose there would be shrinkage also when the splints, etc., get dry.

Mr. Schele.—Yes.

President.—I take it these are cubical contents of actual finished boxes of matches and splints, are they not?

Mr. Schele.—Yes.

President.—Of course the core would be wasted which we forgot to mention.

Mr. Schele.—Yes.

President.—That is ordinarily about 3 to 3½ inches in the case of aspen.

Mr. Schele.—Yes.

President.—How much is it in the case of Indian wood?

Mr. Schele.—It varies tremendously with Indian wood. In Burma for instance you get larger cores than you get in other places.

President.—What is the average girth of the Swedish aspen?

Mr. Schele.—35 to 40 inches.

President.—That means about a foot in diameter?

Mr. Schele.—Yes.

Dr. Matthai.—Does it make any difference with regard to the wastage of aspen whether it comes from Sweden or from Japan?

Mr. Schele.—There is some difference.

Dr. Matthai.—Not anything considerable?

Mr. Schele.—No.

Dr. Matthai.—What about the polish wood; is there any difference from that point of view?

Mr. Schele.—None at all.

President.—As regards these figures that you have given about wastage, is that your experience in Sweden?

Mr. Schele.—These are actual figures from India; of course the figures in Sweden are different.

President.—I mean as regards the wastage calculated on the cubical contents of the finished article.

Mr. Schele.—Yes.

President.—Do you mean 100 per cent.?

Mr. Schele.—Yes, as a matter of fact I said a few moments ago that we calculate for office purposes 90 per cent. for splint and 110 per cent. for boxes as the wastage.

President.—You are talking of fresh wood, are you not?

Mr. Schele.—That is our average.

Dr. Matthai.—This increased wastage on Indian wood, in what way do you explain that? It depends partly on the shape of the logs, I suppose?

Mr. Schele.—Yes and also on the brittleness of the wood and then again you cannot store it. When you store it, it gets dry and then of course it is very difficult to work.

Dr. Matthai.—As between one Indian wood and another which is the best?

Mr. Schele.—Savar is undoubtedly the best on this side of India.

Mr. Mathias.—And on the Calcutta side it is genwa, is it not?

Mr. Schele.—That is the only kind you get there. You also get papita from the Andamans but our factory management in Calcutta considers genwa better.

Dr. Matthai.—The practice that you have achieved so far, taking aspen wood, shows less wastage than the best practice elsewhere, is it not? At least there is a difference of 25 per cent.?

Mr. Schele.—I should say you can get equally good percentage in the United States of America for instance.

President.—But under your own management.

Mr. Schele.—No. There cannot be very much difference.

Dr. Matthai.—If you take, for example, aspen in an equal state of freshness here as well as in Sweden are you able to get 100 per cent. wastage and nothing more?

Mr. Schele.—As a matter of fact we do better here because we use more aspen for splints. We are not so particular here as we are in Sweden. We take the end pieces for instance for splints here; we don't do that in Sweden. We have to be very careful about it there.

Dr. Matthai.—But the man who operates the machine has some voice in the amount of wastage.

Mr. Mathias.—In boxes for instance?

Mr. Schele.—Yes. You mean also the peeling machine?

Mr. Mathias.—Yes.

Dr. Matthai.—Then of course the condition of storage has something to do with it.

Mr. Schele.—That has the whole thing to do with it.

Dr. Matthai.—That must make a big difference between the normal percentage of wastage in Sweden and here, would it not?

Mr. Schele.—That is why in fresh wood storage does not tell very much, but when you come to old aspen, it makes a lot of difference. In Sweden we have not got to deal with that difficulty.

Dr. Matthai.—If you take the average between old and fresh?

Mr. Schele.—You get a better figure in Sweden than in India.

General Wastage.

President.—Speaking of all the processes generally what would you estimate the wastage in India?

Mr. Schele.—You mean of wood?

President.—Not wood only.

Mr. Schele.—You mean in our factory?

President.—Yes. Messrs. Adamji Hajee Dawood and Company for instance said that their wastage was about 15 to 20 per cent. in splints, boxes and so on. What would you calculate the wastage in Sweden, for instance?

Mr. Schele.—Apart from wastage in wood and wastage in paper, there should not be any wastage.

President.—You mean owing to bad practice on the part of workmen!

Mr. Schele.—In Sweden the practice of the workmen is so good that you do not get any wastage except the normal wastage which is unavoidable.

President.—The normal wastage would come before the process began.

Mr. Schele.—Here is one wastage on box making for instance: first we have the wastage in the wood, then when we get wastage in the boxes made that is to say when you waste the box in the box making department you waste the paper as well; then when you waste subsequently when frictioning is being put on, you waste the chemicals also.

President.—Yes, I mean wastage in that way.

Mr. Schele.—I would like to give you that figure later.

President.—The wastage in Sweden and here also.

Mr. Schele.—Yes.

Dr. Matthai.—The wastage in mixing chemicals is not an important matter, is it? We rather got the impression that the mixing of chemicals is one of the most difficult things.

Mr. Schele.—If it is done carelessly you waste a lot of material. What you want is the total wastage on the manufacture as such?

President.—The point is by how much would your cost be reduced.

Mr. Schele.—If it was fool proof from beginning to end?

President.—Yes, and will you give it as far as possible for Sweden as well as here.

Mr. Schele.—Yes.

Price of wood.

President.—Will you give us the average rates which you have taken for Indian wood and aspen in this figure 5 annas 7 pies?

Mr. Schele.—As a matter of fact that is in the cost sheets, in our unit price.

President.—That is the average, that is the trouble.

Mr. Schele.—Aspen is the same and in the Indian wood we have got to get the average.

Dr. Matthai.—You still get your aspen at Rs. 115?

Mr. Schele.—Slightly higher now because the freights have gone up.

Dr. Matthai.—Taking that figure of Rs. 115 and the figures of consumption of aspen which you have given us, I find 5 annas 7 pies is really old aspen wood for both splints and veneers.

Mr. Schele.—I make it 4½.

Dr. Matthai.—It ought to be.

Mr. Schele.—Calculating on that basis I got 4½.

Dr. Matthai.—On what basis did you calculate?

Mr. Schele.—7 c. ft. at Rs. 25 that is Rs. 17·8. That is aspen.

Dr. Matthai.—That is for splints?

Mr. Schele.—Yes, and Indian wood 10½ c. ft. at one rupee. Our price for Indian wood has been Rs. 1·25 because our departmental felling costs us a lot of money. We have got overhead charges on wood which are very high. We don't buy from contractors exclusively. We have got our own establishment.

Dr. Matthai.—You gave the figure of Rs. 45 to Rs. 50 for bombax at the factory.

Mr. Schele.—That is the contractor's price but our actual unit price for the purpose of calculation we did not give. We did not give that price for the purpose of calculation but merely to give an idea of the wood prices in Bombay from contractors.

Dr. Matthai.—Per ton what figure should we take for Indian wood for your purpose?

Mr. Schele.—Rs. 1·25 per c. ft.; that is Rs. 62·8·0 per ton of 50 cubic feet and then of course we have had a lot of Japanese aspen which is much more expensive.

Dr. Matthai.—You have had Japanese aspen also?

Mr. Schele.—Yes.

President.—In our calculation what prices would you like us to assume for your aspen?

Mr. Schele.—Japanese aspen comes to Rs. 2·13·8 per c. ft. compared to Rs. 25 for Swedish aspen.

President.—Why should you then use the more expensive wood?

Mr. Schele.—That is very unfortunate; the Japanese exchange went against us and we had our contracts. Now of course as things go on we will get at cheaper prices, but these are based on our average for the whole of 1925. In the future I should say you can take the European price at Rs. 2-5-0 to Rs. 2-8-0, that is Rs. 115 to Rs. 125 per ton.

President.—As regards Indian wood what would you like us to assume?

Mr. Schele.—Others get it cheaper but we still calculate at Rs. 1.25 per c. ft. Now of course prices are going up for Indian wood so I don't think there would be any reduction.

President.—You think Rs. 1-4-0 would be about right?

Mr. Schele.—Yes at present, but I should not like to put that figure down for the future.

Mr. Mathias.—It is Rs. 62 a ton.

Mr. Schele.—Yes.

President.—Why do you expect a still higher figure in the future?

Mr. Schele.—Because we cannot get wood at this figure.

President.—But others have been getting at Rs. 40 per ton?

Mr. Schele.—Don't you think the difference comes in in the measurement? Perhaps they measure in a different way. They pay less but also get less in a ton on account of the difference in measurement.

President.—It is the other way about. They say they use less wood. They may be having more wood per ton. You cannot have it both ways.

Mr. Mathias.—Their figures must be more or less accurate; otherwise their estimate of profit would be out.

Mr. Schele.—I cannot say. The whole thing seems to me to be very puzzling.

President.—We should like your opinion as to what you think may be assumed as the price of Indian wood in our calculation?

Mr. Schele.—I personally think that it is possible that wood on the Bombay side next year would be Rs. 75 per ton.

President.—Then it cannot be economical for you at all to use Indian wood?

Mr. Schele.—There won't be much in it. This year for instance I suppose the other factories are in the same position as we are, last year in October we got 147 tons, in November 258, in December 404, in January 662 and in February 646 tons of Indian wood. This year we got in October 6 tons, November 19 tons, and in December 16 tons so far.

Dr. Matthai.—Could you not get it?

Mr. Schele.—Although we have increased our price by Rs. 10 a ton, we could not get supplies.

President.—What is it due to?

Mr. Schele.—I think the contractors have to go further afield to get the wood and consequently it does not pay them so well as when they could send wood from Thana and other places round Bombay.

Mr. Mathias.—At present prices it is cheaper to use Indian wood, is it not?

Mr. Schele.—Yes, for boxes.

President.—As regards European wood, do you expect any violent changes in the prices, or do you think they would remain on the present level?

Mr. Schele.—I don't think there would be any violent fluctuations. Of course it is impossible to say definitely. A lot of wood supplies are, I understand, in the hands of the Bolsheviks and their methods of business are not exactly like ours.

President.—There might be a drop in price?

Mr. Schele.—Or the reverse. Anything might happen.

Mr. Mathias.—A monopoly in aspen is really outside the range of possibility because there are large supplies, is that so?

Mr. Schele.—Yes.

Mr. Mathias.—There was some talk, wasn't there, of the firm of Suzukis getting the sole right of extracting timber from Manchuria?

Mr. Schele.—They obtained the sole right of sale from the Bolsheviki.

Mr. Mathias.—If that materialized again it is possible that either on the one hand prices might be pushed up, or on the other hand they might be placed on the market very cheaply. It is impossible to foretell.

Mr. Schele.—Quite.

Dr. Matthai.—I don't quite follow the figure that you have given in Appendix IV B "Requirement per case 5 c. ft.". What does that mean?

Mr. Schele.—That is for boxes alone for 50 gross.

Dr. Matthai.—In Appendix IV when you speak of a case, you mean a case of 50 gross?

Mr. Schele.—Yes, taking 10 c. ft. per 100 gross.

Mr. Mathias.—That is 10 gross per c. ft. for boxes alone?

Mr. Schele.—Yes.

President.—You don't find any difficulty in finding wood for packing cases now?

Mr. Schele.—We don't make them ourselves; we buy them from contractors in South India.

Mr. Mathias.—You can get them?

Mr. Schele.—Yes.

Mr. Mathias.—They are not very expensive?

Mr. Schele.—No, they are very reasonable.

Mr. Mathias.—There is no shortage of that class of wood?

Mr. Schele.—Apparently not.

Dr. Matthai.—Taking your figures for four years, the cost of wood has come down from 9 annas 4 pies to 8 annas 3 pies, then to 6 annas 4 pies and then to 5 annas 7 pies. The reason for this fairly substantial decline is the use of Indian wood for boxes, is it not?

Mr. Schele.—Yes, the use of Indian wood, the reduced price of aspen and increased efficiency in the factory.

Various kinds of Indian's wood.

Mr. Mathias.—In our previous examination you said that the Burma wood was equal to what was found in Bombay but inferior to what was found in Calcutta. Is that your experience?

Mr. Schele.—That was my experience.

Mr. Mathias.—Does that hold good now?

Mr. Schele.—Yes.

Mr. Mathias.—You don't consider papita suitable?

Mr. Schele.—It is suitable in one way but it is very brittle in the working. I have a report on the subject from our Calcutta factory manager; I have got it here.

President.—On genwa?

Mr. Schele.—No, on papita (shown).

Mr. Mathias.—You cannot say whether it is possible for you to use papita wood even for boxes?

Mr. Schele.—I think dhup is the right kind for boxes; that is apparently very good. We cannot get that because the Andamans seem to have fixed up with Rangoon for dhup and they cannot deliver to us.

Mr. Mathias.—Papita is what we understood from Messrs. Adamjee to be sawbya. They said they were getting sawbya from the Andamans. But perhaps if they are getting dhup that accounts for the slight misunderstanding about the quality of papita. Have you heard of a tree called bakota?

Mr. Schele.—No.

Mr. Mathias.—We were informed that the two woods exported from the Andamans were bakota and papita. According to your information it is dhup and didu.

Mr. Schele.—Yes, we have got correspondence about that also in this file (Read a letter, dated the 8th October 1927, from Calcutta Manager). Bakota was selling at the same price as papita.

Dr. Matthai.—That is slightly higher than papita.

Mr. Schele.—Almost the same.

Mr. Mathias.—You have got no information as to the supply of bakota?

Mr. Schele.—There seems to be difficulty apparently.

Mr. Mathias.—As far as I understand from the letters you read out just now it seems that papita is not so good as genwa.

Mr. Schele.—No.

Mr. Mathias.—On the other hand dhup and bakota your correspondent seems to think to be rather better.

Mr. Schele.—Yes. The difficulty is to get supplies.

Mr. Mathias.—Because 3,964 tons of dhup are going to Rangoon every year.

Mr. Schele.—That may be the reason.

Mr. Mathias.—Have you any information about the supply of didu wood?

Mr. Schele.—No, but apparently it is not so suitable.

Dr. Matthai.—The supply of genwa at your Calcutta factory has apparently been quite good all through.

Mr. Schele.—Some months it is difficult to get a good quantity of genwa while other months we get sufficient supplies.

Dr. Matthai.—There has never been a real scarcity?

Mr. Schele.—No, except now there seems to be some trouble, the forest department having limited the area.

Dr. Matthai.—You have not used papita on any considerable scale yet.

Mr. Schele.—Fairly big scale, about 300 tons.

Dr. Matthai.—Last year?

Mr. Schele.—Recently. It is really more expensive than genwa at present so our policy is to get into touch with the papita people; if genwa gave out we could get papita quickly.

Dr. Matthai.—Papita is much less expensive. In April we got figures of Rs. 35 to 40 per ton delivered in Calcutta, now it has gone up to Rs. 60.

Mr. Schele.—The figures for the Andamans wood have always been round about Rs. 60.

Dr. Matthai.—At Calcutta?

Mr. Schele.—Yes. We started enquiring regarding the Andamans wood as early as 1924; then we were told that there were no steamers plying regularly and they wanted a price of about Rs. 60.

Mr. Mathias.—It is now Rs. 60.

Mr. Schele.—Even in 1924 it was about Rs. 60.

Dr. Matthai.—The Calcutta people told us that somewhere about 1924 they got papita in Calcutta at Rs. 35 to Rs. 40 per ton but since the arrangement with Messrs. Martin and Company was made by the Forest Department in the Andamans, the price has gone up to nearly Rs. 60.

Mr. Schele.—I was always under the impression that Messrs. Martin and Company had been the agents all along.

Dr. Matthai.—Apparently not.

Mr. Schele.—That was the information I used to get in Calcutta. If I wanted to get the Andaman wood I was told I must write to Messrs. Martin and Company.

Mr. Mathias.—Perhaps it is only recently that they thought it worth while to export soft wood from the Andamans.

Mr. Schele.—Might be.

Mr. Mathias.—In your previous evidence you promised to give us a note on the making splints in the jungle. Have you got that note ready?

Mr. Schele.—Yes, I have got a note prepared. Here it is (handed in).

Mr. Mathias.—Reading through your previous evidence the impression left on my mind is that you lay more stress on veneers for boxes than for splints.

Mr. Schele.—That was on account of the box making machine.

Mr. Mathias.—Not about the quality of the boxes but the quality of the wood.

Mr. Schele.—That of course has reference to aspen. Once you cut the veneers you chop them into splints and you can make the veneers thicker. But in box making if you don't select veneers carefully you get trouble at the box making machine.

Mr. Mathias.—As regards the use of Indian wood apparently you can use Indian wood which is not fit for splints for box making. We saw that in your factory.

Mr. Schele.—Yes, and the reverse. That is the remarkable part of it.

Mr. Mathias.—Speaking generally one could say that Indian wood is suitable for box making?

Mr. Schele.—It is not suitable, but it is more suitable for boxes than for splints. That depends on the inherent characteristic of the Indian wood inasmuch that one has to be more particular. It is really that Indian wood happens to lack the qualities that go to make good splints.

Mr. Mathias.—But as regards box making as practically all the factories out here are using Indian wood one might say it is suitable.

Mr. Schele.—Yes, suitable at a price.

Dr. Matthai.—Are you able to find an outlet for your waste splints at Ambarnath?

Mr. Schele.—We don't have any now because we have machines where we can use spill sticks and the rest we burn. We found that by selling spill sticks we prejudiced our good name in the market so now we burn them.

Possibility of making splints in the jungle.

President.—In this statement which you have just now handed in you say it would cost 16'13 rupees more for 10 cases of 50 gross each. That works out to about half an anna a gross.

Mr. Schele.—Yes, but then you have a very important consideration that you don't get fuel for your other factory for drying purposes and you have to buy coal because you don't get sufficient wastage.

President.—This does not give us a correct idea.

Mr. Schele.—It does not, I had better take it back.

President.—First of all you save on the transport of the log to the factory. That is a big item.

Mr. Schele.—Yes.

President.—That alone would be about one anna per gross?

Mr. Schele.—Yes, but then you lose if you have to use coal for instance for drying the boxes.

President.—The comparison that we really wanted was whether if a suitable forest was found, it would not be cheaper to manufacture splints in the neighbourhood of the forest than to bring the logs down.

Mr. Schele.—I know that it is not, but I think I had better work it out that way and submit it to you to-morrow.

Mr. Mathias.—You might also consider whether there would be any additional cost on account of labour as a result of the factory being situated in a jungle.

Mr. Schele.—Yes.

President.—Then there is the cost of building the factory and all the capital charges. This statement about the number of men, would that require any alteration?

Mr. Schele.—No; that holds good.

President.—Are you taking a small unit of 10 cases?

Mr. Schele.—Yes, you only wanted for 100 gross so I thought 10 cases would be better.

President.—If that is the only difference then it does not seem to be an impossible proposition.

Mr. Mathias.—There is another point in connection with wood. Have you seen the Burma Forest Officers' evidence?

Mr. Schele.—I have read their evidence.

Mr. Mathias.—Have you any comments to make? Have you written a note on the subject as promised by you last April?

Mr. Schele.—I think their evidence is very sound.

Mr. Mathias.—That is as regards the Burma Forest Officers?

Mr. Schele.—And here too. I have read several of their statements and I fully agree with what they have said.

Mr. Mathias.—Have you any comments to make on the point?

Mr. Schele.—No.

President.—As regards the cost of wood that you have given us, can you anticipate any economy in the future?

Mr. Schele.—I think we have come to the lowest figure.

Dr. Matthai.—Have you been able to make any improvements in your storage methods of Indian wood or are you still experimenting?

Mr. Schele.—Yes.

Dr. Matthai.—That might make some difference?

Mr. Schele.—Yes. I would like to alter that statement and to say that even if we use Indian wood altogether we would not get any economy because our experience at Ambarnath is that it comes to the same cost as aspen for splints.

President.—Because you get a higher price for aspen?

Mr. Schele.—Apart from the quality question; I am talking of the wastage.

President.—So that according to you the limit of economy has been reached in this?

Mr. Schele.—I should think so.

Materials other than wood.

President.—Then as regards your other materials you would get them at a cheaper rate than other people, would you not?

Mr. Schels.—No. I think it is roughly the same.

President.—On the contrary one factory stated that it could get its chemicals a little cheaper than you do?

Mr. Schels.—It might because we make our contracts for a year and others buy in the open market and there are fluctuations in prices from time to time.

President.—Do you make contracts for the whole of the Swedish Match Company or for India only?

Mr. Schele.—Only for India.

Mr. Mathias.—Do you make a contract for genwa?

Mr. Schele.—No; only for the imported materials.

President.—Do you send your orders to the Swedish Match Company at Stockholm?

Mr. Schele.—Yes.

President.—And they make contracts on your behalf?

Mr. Schele.—They sell to us at market rates.

President.—But the Swedish Match Company when it sells its materials to you may sell at market rates but they themselves buy them in very large quantities for all their requirements?

Mr. Schele.—They sell at ordinary current market rates.

President.—That rate may be higher than they themselves are getting at.

Mr. Schele.—Certainly. They must have a margin of profit there.

Dr. Matthai.—An Indian manufacturer importing on a large scale like you would get aspen at practically the same rates as you do?

Mr. Schele.—I think they will have to pay slightly more.

President.—Because you buy in larger quantities?

Mr. Schele.—Yes, from our own forests. We have better organization and not so many middlemen.

Dr. Matthai.—Can you say how much more?

Mr. Schele.—Rs. 5 to Rs. 10 per ton more.

President.—I don't understand the position in regard to chemicals. The Swedish Match Company would have a predominant interest, I take it, in the Western India Match Company?

Mr. Schele.—Yes.

President.—It will take the profits of the Western India Match Company but does it not give the latter company any share in the profits that it itself makes?

Mr. Schele.—They only make ordinary trade profit and we get the benefit of cheap prices plus what we would pay as commission if any other firm was doing it for us. They act as our commission agents.

President.—I take it that they act as commission agents to all the factories in all the countries under their control.

Mr. Schele.—I don't know. Some factories buy from Sweden and others buy on their own.

President.—How do you mean? Your factories in other countries would buy from the Swedish Match Company, would they not?

Mr. Schele.—I don't think so. I don't think that all of them buy from them but I really do not know how this is arranged. I think it would be an advantage to have it centralized on the face of it.

President.—As regards the price of paper do you expect any great changes?

Mr. Schele.—No.

President.—I think the Swedish Match Company manufactures all the paper it requires?

Mr. Schele.—It does.

President.—It has also a surplus which it sells?

Mr. Schele.—Yes; as a consequence the price of paper is fixed in accordance with the prevailing market rate in the world.

President.—But you don't expect any great change?

Mr. Schele.—No. Prices seem to have stabilized.

President.—I see that since 1924 there has not been much change at all except in 1925 when it went up a little. What was that due to?

Mr. Schele.—In 1924 we used ready made boxes and consequently they were prepared. They arrived with paper on, consequently that figure is included in wood there. That accounts for the small difference.

President.—Then I see there is a considerable reduction in the cost of chemicals from 2 annas 9 pies in 1924 to 2 annas in 1927. Is that due to better practice on the part of your workmen?

Mr. Schele.—Reduced price and less wastage in the factory.

President.—I find that your figure for chemicals is a little higher than that of some of the Indian factories. Is that due to your using more chemicals?

Mr. Schele.—I really do not know. I can't say without going through it carefully.

President.—Looking at your figures (Appendix VI): of the chemicals that you use for friction the principal ones are paraffin and chlorate of potash.

Mr. Schele.—You mean for the composition?

President.—Yes.

Mr. Schele.—Paraffin of course does not belong to composition.

President.—Yes, that is used on the sticks, but I see that you use as much as 18 lbs. of paraffin whereas the figures given to us by others are certainly lower, as low as 11 lbs. in some cases.

Mr. Schele.—I think if you compare the matches the difference is evident.

President.—The Andheri figures are the lowest as far as I can see.

Mr. Mathias.—You would use the same whether it is aspen or any other wood.

Mr. Schele.—Yes.

Dr. Matthai.—As far as paraffin is concerned your figures for half size are much higher than that of the Andheri Match Company and for full size they are higher than Adamjee's. Have you any comments to make on that?

Mr. Schele.—It is simply that we have a different practice to what they have.

President.—Do you think that you are using more paraffin to improve the lighting quality of matches?

Mr. Schele.—Yes.

President.—Is this 18 lbs. in accordance with the European practice?

Mr. Schele.—Yes.

Mr. Mathias.—There seems to be a fair amount of paraffin on the Bombay Match Company's matches. Do you think that there is sufficient paraffin (sample box handed in)?

Mr. Schele.—They seem to be all right.

Mr. Mathias.—For all practical purposes they seem to be all right.

Mr. Schele.—Yes, but during the monsoon there will be much difference.

Mr. Mathias.—We had all the Indian matches exposed in our office at Calcutta in the monsoon and they were striking all right.

President.—What is the price of paraffin?

Mr. Schele.—I don't know what it is now; it has gone down considerably lately. The price of paraffin when I was giving evidence in Calcutta was £2-11-2 per 100 kilos and now it is I think about £1-12-9. That is a tremendous reduction.

President.—100 kilos is how much?

Mr. Schele.—220 lbs. There is now a difference in the price of about £1.

Dr. Matthai.—Is that c.i.f.?

Mr. Schele.—Yes; there is a reduction of 2½d. per lb. in six or seven months.

Dr. Matthai.—We have got the recent price of 2 annas 3 pies per lb. Would that be about correct?

Mr. Schele.—We buy paraffin from the United States. Our price is much cheaper. There is a price war between the Standard Oil Company and the Indian Oil Companies.

President.—What is your price?

Mr. Schele.—1'8d. per lb.

President.—That is about 1½ annas?

Mr. Schele.—1'6 annas exactly.

Mr. Mathias.—Can you depend on that price being fairly constant?

Mr. Schele.—Not at all. This price must be due to exceptional circumstances.

President.—As regards your chlorate of potash, that also you use in larger quantities.

Mr. Schele.—Yes.

President.—You have given 15'48 lbs. Does that correspond to the amount used in Europe?

Mr. Schele.—Yes. I think that we vary that proportion; during the hot weather we use less and during the monsoon more; but the average figure is practically the same. In wet climates, we use more chlorate of potash than otherwise.

President.—Are all your matches impregnated?

Mr. Schele.—No, our second quality is not impregnated.

President.—What is the principal chemical you use? Is it phosphoric acid?

Mr. Schele.—Yes.

President.—Is that the only chemical used?

Mr. Schele.—Yes.

President.—What is the cost of phosphoric acid?

Mr. Schele.—It is very, very cheap. It comes to one rupee per case of 50 gross.

President.—Is that all that it adds to the cost of impregnation?

Mr. Schele.—Yes.

Dr. Matthai.—That is about 4 pies per gross.

Mr. Schele.—Yes. But I would like to look into that figure. As far as I remember, it is one rupee. If I am wrong, I will correct it to-morrow.

President.—Is any other chemical used for impregnation?

Mr. Schele.—No.

Impregnation.

President.—In the case of the most of the Indian manufacturers the cost of impregnation should be added to the cost of their chemicals.

Mr. Schele.—I think that some of them do impregnate.

President.—Some of them impregnate but usually only a small percentage of their production. Most of their matches are not impregnated.

Mr. Schele.—That is true.

President.—Do you think that want of impregnation has spoilt the reputation of the Indian matches on the market?

Mr. Schele.—Yes.

President.—In fact, that is one of the principal complaints, is it?

Mr. Schele.—It is always looked upon as a very important thing with the match that the head does not glow and fall off.

President.—But it has been suggested that the Indian consumer does not like impregnated matches. If that were true, you would not impregnate your matches.

Mr. Schele.—No, I don't think so.

President.—It is not very likely that you are going to give the consumer what he does not want.

Mr. Schele.—Certainly not.

President.—Do you get extra price for impregnated matches?

Mr. Schele.—Yes.

Mr. Mathias.—Do the unimpregnated matches fetch a lower price than yours?

Mr. Schele.—With this fierce competition that exists at present, some of these little niceties are not appreciated so much. It is the price that sells most and then the quality comes in secondarily.

President.—You don't sell any quality of matches which are unimpregnated, do you?

Mr. Schele.—No.

Labour charges.

President.—As regards your factory labour, I see in 1924 your factory labour was 6 annas 8 pies; it dropped to 4 annas 9 pies in 1926 and now it is 2 annas 7 pies. What is that large reduction due to?

Mr. Schele.—Increased capacity.

President.—Increased capacity of the machinery?

Mr. Schele.—Machinery *cum* workmen.

President.—That is to say, the labour is better trained now.

Mr. Schele.—Yes.

President.—I see that there is a reduction in the establishment of 300 men the figure you gave before.

Mr. Schele.—Yes.

President.—That means that you are getting more out of the machinery.

Mr. Schele.—We don't need so many men as we did in the beginning.

Dr. Matthai.—You have introduced more machines since you started.

Mr. Schele.—Yes.

Dr. Matthai.—Have you done everything by machine from the very beginning?

Mr. Schele.—Practically everything except the filling of boxes which was done by hand when we started.

Dr. Matthai.—How long did you do that?

Mr. Schele.—Six to nine months.

President.—Now you do practically nothing by hand.

Mr. Schele.—Very little.

President.—That is only to pick out splints and things of that sort.

Mr. Schele.—Only sorting out.

President.—Beyond that, you do everything by machinery.

Mr. Schele.—Yes, and then again transport from one machine to another has to be done by coolies.

President.—That is also done in Sweden by hand.

Mr. Schele.—Yes.

President.—You have got exactly the same kind of machinery as you have in Sweden except that you have not got the continuous machine?

Mr. Schele.—Quite.

President.—Why have you not a continuous machine here?

Mr. Schele.—We don't think that it can be worked by our labour here. It needs very efficient labour. The trouble with the continuous machine

is that if anything happens, the whole factory stands idle. On the other hand, when you have the processes divided up as we have in our factories just now, as for instance in the case of frame filling, if one frame filling machine is broken down, the others carry on.

President.—Are there any factories in Sweden under your control where you don't have continuous machines?

Mr. Schele.—Yes, we still have frame filling in some factories, for instance in Jongkopings.

President.—That is the oldest factory.

Mr. Schele.—Yes.

President.—Do you expect any reduction in the cost of labour as you get along?

Mr. Schele.—I think that we have come down to the lowest figure.

President.—Your present outturn is about 2 million gross per year in the Amarnath works.

Mr. Schele.—It is now 3 million gross.

President.—I don't think that it is quite so much.

Mr. Schele.—Taking the retrospective average, it is less but looking ahead it is more.

President.—This figure is on a production of 2 million gross.

Mr. Schele.—It will be more than two millions.

President.—This year's production would amount to how much?

Mr. Schele.—2,350,000 gross.

President.—When it comes up to three million gross next year, you would not require more men and labour charges should come down.

Mr. Schele.—We require more men.

President.—Why, not in the factory? You may require for handling.

Mr. Schele.—If you take the last month and multiply it by 12, you get 2,868,000 gross.

President.—This is the average figure.

Mr. Schele.—Yes. We have to bring additional machines and we have added a lot of machines in the same space.

President.—What I mean to say is this. This is the average for the whole year.

Mr. Schele.—Yes.

President.—You started with a higher figure. What was your figure for October under these heads? Would you mind giving me the cost in the same form for the whole of October? I think those are the lowest costs?

Mr. Schele.—I don't think so. The cost of labour for 50 gross is as follows:—

	<i>Rs. a. p.</i>
September	10 10 3
August	10 10 4
July	11 6 1
June	11 15 0
May	12 3 3
April	14 10 6
March	16 15 11
February	17 1 6
January	15 13 9

Mr. Mathias.—That works out at 3'2 for September.

Mr. Schele.—On account of your division certain of these items come under another heading as far as I know. If you add factory labour which

is 2·7 to general supervision which is 1·4 then you arrive at 3·11 against 3·2 for September.

President.—3·11 is the average against 3·2 for September.

Mr. Schele.—Yes.

President.—I should like your costs for September 1927 on the same basis.

Mr. Schele.—Yes.

Dr. Matthai.—When do you expect to get your November figure?

Mr. Schele.—This afternoon.

President.—You may give us your November figures also.

Mr. Schele.—Yes.

President.—There have been economies. Your costs would be lower, would they not?

Mr. Schele.—Yes.

President.—I want a statement in the same form for November under all heads.

Mr. Schele.—Yes. We have been making a tremendous amount of head-way in 1927.

President.—As regards factory labour, it is rather an interesting comparison that you have given us (Appendix IX). Box making and box filling are the principal operations where machinery is not used in some factories in India.

Mr. Schele.—Yes.

President.—You have given the cost of box filling by hand as Rs. 3·39, that is for 50 gross.

Mr. Schele.—Yes.

President.—Is this what you actually paid in the past.

Mr. Schele.—Yes, what we paid at the last time when we had box filling by hand.

President.—You have given the cost of box filling by machine as Rs. 2·09 against Rs. 3·39 by hand. What items did you take into account in this in calculating the cost by machine?

Mr. Schele.—It is our actual figure.

President.—You sent us a letter on the 26th of November.

Mr. Schele.—That was before I arrived in India.

President.—Have these figures been revised?

Mr. Schele.—Apparently.

President.—This is as regards box making.

Mr. Schele.—Yes.

President.—In calculating your cost by machine did you take all these various items into account or how did you arrive at the figure?

Mr. Schele.—This is calculated exactly on the same basis as that in our letter under reference.

President.—Have you calculated the cost of box filling on the same basis?

Mr. Schele.—Yes.

Dr. Matthai.—Does that mean that the revised figures include labelling?

Mr. Schele.—Apparently they have made a mistake in our letter of 26th November, 1927.

Dr. Matthai.—This is on the same basis as the previous statement.

Mr. Schele.—Yes.

Dr. Matthai.—It should be excluded.

Mr. Schele.—Yes.

Dr. Matthai.—Here also it should be excluded.

Mr. Schele.—Yes.

President.—So that the difference between the two processes, hand and machine, comes to Rs. 0-1-6.

Mr. Schele.—Yes.

President.—As regards power and fuel, you purchase power from the Development Trust.

Mr. Schele.—Yes.

President.—There is also a steady reduction there. Is that due to your using more power or what is it due to?

Mr. Schele.—That is partly due to using more power and partly due to electricity per unit being cheaper with a higher production.

President.—Item No. 7—ordinary current repairs and maintenance of buildings, plant and machinery—includes, I take it, smaller repairs that you require in the workshop.

Mr. Schele.—Everything that is done at the factory—even the bigger repairs.

President.—But it does not include depreciation or anything of that sort.

Mr. Schele.—No. It is just to keep things up to the standard.

President.—Why is there such a variation under these headings each year?

Mr. Schele.—The difference between 1925 and 1926 is on account of higher production. Then it goes up again because we want more repairs as we go on. The buildings need more repairs. The machines were new when we started but as the machines get older, they need more repairs.

President.—This item may increase as you get along.

Mr. Schele.—Yes. You arrive at a point where it stabilises itself.

President.—“General services, supervision and local office charges”—that is higher staff, is it?

Mr. Schele.—Yes and Indian staff.

Mr. Mathias.—That will also come down with increased production.

Mr. Schele.—Automatically.

President.—How many Europeans have you got in this general services, supervision and local office charges in the Amarnath factory?

Mr. Schele.—8 to 9 at Amarnath.

President.—What are the total wages of Europeans you have?

Mr. Schele.—About Rs. 10,000 a month.

President.—And the rest is all Indian labour, is it?

Mr. Schele.—Yes.

President.—The Europeans are chiefly experts, are they?

Mr. Schele.—Yes.

President.—One of them would be the General Manager.

Mr. Schele.—General Manager, foremen, and what we call fitters who repair the machines.

President.—How many fitters have you got?

Mr. Schele.—6 or 7. We have 11 Europeans in the factory in all.

President.—Have you got any one in the office besides the Manager?

Mr. Schele.—Yes, we have two.

President.—Are they accountants?

Mr. Schele.—We call them administrative employees as they look after the administration generally.

Mr. Schele.—That makes 14.

Mr. Schele.—Yes, including the Manager, and the total wages come to Rs. 10,000.

Mr. Mathias.—How many Europeans have you in the Calcutta factory? I believe there are 7.

Mr. Schele.—Something like that. I have been away for some time and there may be a slight variation.

Dr. Matthai.—The staff includes Indian staff.

Mr. Schele.—Yes.

President.—As regards the cost of packing cases, that also has come down from two annas to one anna and seven pies. What is that due to?

Mr. Schele.—Due to competition between suppliers. There is a very keen competition between them.

President.—And their price of wood has gone down?

Mr. Schele.—No. I think they cut more into their profits. In the beginning we had Swedish imported packing cases and then we had one supplier in the Malabar coast and now we have seven or eight men who want to supply.

President.—Your production is 1,850,000 gross for the 10 months—all safety matches?

Sulphur matches.

Mr. Schele.—Yes, but there is a small quantity of sulphur too.

President.—This production that you have given, does it include sulphur as well?

Mr. Schele.—The actual sulphur production is given in Statement No. II.

President.—I mean that the costs you have given here are only for safety.

Mr. Schele.—Yes.

President.—Do you keep separate cost sheets for sulphur or how do you adjust between safety and sulphur?

Mr. Schele.—We do.

President.—How do you branch off. Up to the splint stage, you have the same costs.

Mr. Schele.—Yes. We only take those additional chemicals that are required for sulphur and calculate on these. Otherwise we consider sulphur and safety as the same.

President.—Do you divide the chemicals by the actual production?

Mr. Schele.—Yes.

President.—What do you estimate the additional cost at?

Mr. Schele.—Practically an anna.

President.—What are the extra chemicals that you use?

Mr. Schele.—Sulphur, *sequé* sulphide, and sand paper.

President.—Those are the principal chemicals.

Mr. Schele.—Yes.

President.—Their cost adds about an anna.

Mr. Schele.—Yes.

Mr. Mathias.—The manufacture of sulphur matches is a new departure. You said in your evidence in April that you did not intend to manufacture.

Mr. Schele.—It is a new departure.

President.—You make full size sulphurs, do you?

Mr. Schele.—No, only half size, both sulphur and safety.

President.—Whereas as regards quality, you have only one quality now.

Mr. Schele.—Yes.

President.—These inferior matches that you made, you don't propose to manufacture any more second quality.

Mr. Schele.—That depends on our wood supplies.

President.—How do you mean?

Mr. Schele.—If we get Indian wood that we think we can use for splints we will make second quality again.

President.—If you use Indian wood for splints, it will mean second quality.

Mr. Schele.—Yes, no difference otherwise.

Dr. Matthai.—You sell at how much less now?

Mr. Schele.—I don't think we sell them at all now.

Dr. Matthai.—How long have you stopped selling now.

Mr. Schele.—The ordinary difference was about 2 annas. Then our wood at Amarnath became so bad that we really made a very inferior quality which we had to dispose of at 14 annas. That was an isolated parcel of 800 cases which we really made by mistake because our manager was away and the officer in charge did not know how bad they were for four days and four days were sufficient to turn out that quantity of bad matches.

Continued on Saturday, the 17th December 1927.

Cost figures.

President.—Have you brought your cost figures for November?

Mr. Schele.—Yes, but we find that August was our best month this year so I took August instead of September.

President.—What about November, have you brought those?

Mr. Schele.—Yes.

Dr. Matthai.—Your costs for August are the best although that is not the month in which you had the highest output in the year?

Mr. Schele.—I have not checked that, but I think it has the highest output except November.

Dr. Matthai.—November is slightly lower than September.

Mr. Schele.—Really in November you get the highest cost because we used aspen and also because our Indian wood was very bad on account of worms. Mr. President, when I gave the figure for the cost of impregnation yesterday I rather felt that it was not the right figure and I told you that I would correct it if I were wrong. I must have had some other figure in my mind. The real cost is much less; it is Re. 0.253 per case instead of one rupee per case of 50 gross that I gave you yesterday.

Mr. Mathias.—Does that include the cost of the extra man working on impregnation?

Mr. Schele.—Yes, but he does other things as well. If he does not work on impregnation he would handle the splints all the same.

President.—How many pies is it?

Mr. Schele.—It is quarter of a rupee per 50 gross, or about one pie per gross.

President.—It is negligible.

Mr. Schele.—Yes.

President.—This difference between the August cost and the average cost is mainly accounted for by the difference in the price of wood.

Mr. Schele.—Do you mean between August and November?

President.—Between August and the average cost that we have taken, and between August and November it is almost entirely accounted for by the wood.

Mr. Schele.—The difference between August and the average is one anna one pie: 4 pies come under wood, paper is the same, chemicals is the same, cost of other raw materials is the same; under factory labour you get another 6 pies.

President.—That is because the output has increased?

Mr. Schele.—Yes. That accounts for 10 pies. "Power and fuel" is the same. "Current repairs" is one pie less, which makes 11 pies. "General services" is 3 pies less, that is on account of the higher production in the month, so that accounts for the whole thing. The cost of packing cases is higher because during the monsoon we use zinc lining and on the average for the year you have paper lining as well as zinc.

President.—If your output now increased to 225,000 gross per month, unless the price of wood went up, the total works cost should not exceed 15 annas with overhead charges?

Mr. Schele.—Yes, that ought to be our average cost for the future if we have not got to pay anything extra for the wood for one reason or another.

President.—We have to determine the fair selling price on these figures. You know how we calculate our selling price. To the works cost we add what are called the overhead charges; which include depreciation, head office expenses and interest on working capital, and then we add a certain percentage for profit on your capital invested, that is fixed capital as distinguished from working capital. Have you got the 1927 cost sheets here?

Mr. Schele.—Yes.

President.—I think there are some alterations in your figures. You might have added something since you gave evidence before as regards the fixed capital, so I will take it from October 1927. That will be about right as regards the book value?

Mr. Schele.—Yes.

Dr. Matthai.—These figures relate to the whole of the Western India Match Company or only to Ambarnath?

Mr. Schele.—Only to Ambarnath.

President.—Before we go on to the question of costs, I want to ask you one or two general questions. Have you been working 10 hours a day or have you been working overtime recently?

Mr. Schele.—At present we have been working slightly overtime with some departments which are not up to the balance.

President.—I suppose you would discontinue that?

Mr. Schele.—That is only pending the arrival of machines that are necessary to keep some departments up to the others. What we find is that one department goes ahead of the other in capacity and we have to work overtime to balance the two.

President.—Where is the lag, in what department?

Mr. Schele.—It varies at different times, and then another department is lagging behind and we have to put in some more machines in order to establish equilibrium again. Pending the arrival of these machines we put in an extra hour or so.

President.—Generally speaking we may take it that this is the production of a complete single shift?

Mr. Schele.—Yes.

President.—And even in Sweden sometimes you have to work overtime now and again?

Mr. Schele.—No because there we have stabilized the production.

Dr. Matthai.—You estimate your total capacity as 10,000 gross a day; do you base that on a single shift production?

Mr. Schele.—Yes.

President.—You don't want to increase your output without getting more machinery?

Mr. Schele.—No.

President.—Is this plant capable of producing any more than 10,000 gross a day?

Mr. Schele.—I hardly think so.

Dr. Matthai.—The figure that you gave us last time was 8,000; what accounts for the difference?

Mr. Schele.—This year we have been going ahead very much in regard to the outturn of the machines as you will see from our figures.

Dr. Matthai.—It appears to me that as your labour gets more experienced obviously you get more out of the machines and therefore in the course of the next two or three years your total capacity may be not 10,000 but 12,000 or more.

Mr. Schele.—I see your point. I think we have come as far as we can with regard to the capacity of labour and machinery.

Fixed Capital.

President.—I will take these in round figures; I will say the total for your land and buildings is Rs. 9.20 lakhs. That includes expenditure for staff accommodation Rs. 2.25 lakhs.

Mr. Schele.—No; on the 31st December 1926 the figure was Rs. 8.78 lakhs and there has been a slight addition.

President.—I am just giving you the figures from here; this includes Rs. 2.25 lakhs for staff, etc. That I take it is the higher staff?

Mr. Schele.—Yes.

President.—For factory staff it is Rs. 59,000. I am taking it at the nearest thousands.

Mr. Schele.—Staff accommodation includes our workmen's accommodation as well as for higher staff.

President.—Land for factory is Rs. 1.04 lakhs. Land for staff and workmen Rs. .59 and buildings for factory Rs. 5.20 lakhs; buildings for staff, etc., Rs. 2.25 lakhs; temporary Rs. 11 lakhs. The total comes to Rs. 9.20 lakhs in round figures. Then, the machinery is Rs. 11.23 lakhs and furniture, etc., factory appliances, loose tools—Rs. 2.59 lakhs. That brings the total up to Rs. 23.02 lakhs. That is the whole block value.

Mr. Schele.—Yes.

President.—As regards these buildings how long did you take to put these up. You started the company in 1922, did you not?

Mr. Schele.—No, in 1923.

President.—About what time?

Mr. Schele.—Our company was formed on 7th September 1923 and building started early next year as far as I remember.

President.—That is to say in 1924?

Mr. Schele.—Yes, or even in 1923.

President.—When was it completed?

Mr. Schele.—August or September 1924.

President.—Did you do it by contract?

Mr. Schele.—Yes. I think Tata's did it for us.

President.—That was very quick work.

Mr. Schele.—Yes.

President.—Did you have to pay them any special price for it?

Mr. Schele.—No.

President.—Did you call for tenders?

Mr. Schele.—Yes, through our architects.

President.—Who are your architects?

Mr. Schele.—Chambers.

Mr. Mathias.—Did you give any time limit for the construction?

Mr. Schele.—We had a premium in case they put up the building quicker.

Mr. Mathias.—Did they get it?

Mr. Schele.—Yes.

Mr. Mathias.—What premium were you offering?

Mr. Schele.—I will tell you later.

Mr. Mathias.—Was there any penalty if they did not complete the building within the time limit?

Mr. Schele.—I will look up the papers and let you know. I was not General Manager then so I am not acquainted with these details, but the contracts that have been made since have been with penalty or with a premium.

President.—Can you tell us how much steel work was used in the construction?

Mr. Schele.—I can get you that figure.

President.—It does seem to me that you have spent a very large sum of money on land and buildings. I mean if you were to build them now and you were in a great hurry, what would it cost you?

Mr. Schele.—I think it would cost the same because we believe in putting up a good building—spend more in the beginning and have them last longer and with less repairs. As far as I know the price to-day would be about the same.

President.—Take Calcutta for instance; you have not got any building.

Mr. Schele.—No, but that is a very unsatisfactory arrangement which we are not likely to continue if things settled down.

President.—You can do it on a smaller scale without affecting your efficiency.

Mr. Schele.—We cannot.

President.—Why not?

Mr. Schele.—Because a building which is not suitable for match making will in the long run make the cost higher. It may not be so noticeable in the beginning but when we come down to the smaller fractions in the cost the building will certainly tell.

President.—How do you mean?

Mr. Schele.—The way it is laid out. If a building is laid out in an unpractical way and its departments are not arranged in the best way. It is bound to tell on the cost of production and in match making where there is a lot of transport of materials from one department to another which must be more or less done by manual labour it tells more than it would otherwise.

President.—Your idea is that if you were building a factory to-day you would more or less have it on the same lines.

Mr. Schele.—Certainly

President.—But you do not know whether it would cost the same because you do not know what the prices are.

Mr. Schele.—No. That would have to be looked into.

President.—There must have been some reduction in prices since 1923.

Mr. Schele.—Certain materials may have gone down.

Mr. Mathias.—Pretty nearly all materials have gone down, steel, current, etc.

Mr. Schele.—Is there much difference in price between 1924 and now?

President.—In our first steel report we decided that the fair selling price of steel was Rs. 180 a ton and in our last report we said it was Rs. 120 so that there is a big difference there. I give you one instance.

Mr. Schele.—What was the date of your first report?

President.—It was signed in February 1924.

Mr. Schele.—In that case there would be a considerable difference, but I should like to look into the figures. It is no use talking about it and having guess work.

President.—So far as India is concerned—I am talking of steel—there must be some considerable reduction. You did not have any re-inforced concrete in those days, did you?

Mr. Schele.—No.

President.—You had just the ordinary brick and plaster.

Mr. Schele.—Yes.

President.—So that if you had followed a different method of construction there might be a substantial reduction. Now-a-days there is a good deal of reinforced concrete work done on the Bombay side.

Mr. Schele.—I would like to look into these matters and let you know later.

President.—Then as regards the arrangement for the staff, could you tell us how much has been spent on the higher staff and how much on the Indian staff out of this Rs. 3 lakhs?

Mr. Schele.—Not straight off, I will let you have it later.

Dr. Matthai.—That includes your labour settlement, does it?

Mr. Schele.—Yes.

President.—What accommodation have you for your labour now? I think your manager told me something about it but I forget. Your total staff is about 1,200?

Mr. Schele.—Yes.

President.—About how many are accommodated in your village?

Mr. Schele.—I do not know what the latest figure is.

President.—Will you get it for us?

Mr. Schele.—Certainly.

President.—What accommodation is there for the European staff? I presume accommodation in any case has been found for all the European staff?

Mr. Schele.—Yes.

President.—It is very difficult for us to judge really what sort of a building it is, how much it ought to cost. We can see how the building is designed but it is very difficult for us to judge how much it would cost and so on.

Mr. Schele.—Yes, but it is not very likely that we would spend more money than was necessary. Our figures ought to form a good basis.

President.—That is true, but you have to gain experience like other people when you are doing business in India for the first time. Your experience in Sweden may not help you altogether as regards buildings in India.

Mr. Schele.—We naturally took advantage of the experience of businessmen on the spot who have mills and that, together with the experience of our architects, we think, ought to be sufficient.

President.—If we were to apply the same standard as regards the construction of your factory as is prevalent in other factories the value of your buildings would be very much reduced.

Mr. Schele.—Yes, but then you cannot make first class matches unless you have first class buildings.

President.—First class building as to design I agree. When you talk of a first class building you want to have a first class building like the Government House or the Secretariat.

Mr. Schele.—But it is not likely that we should have a factory on those lines. After all if we are sound business people we should be able to judge what kind of building we require.

President.—What is the floor area of your building?

Mr. Schele.—I am afraid I must look into that.

President.—Would you mind getting that for us?

Mr. Schele.—Not at all.

President.—There is the main building of course: it is only an one storied building with a corrugated roof?

Mr. Schele.—No, it has got a pucca roof. I am sorry some of these figures have fallen out of my mind.

President.—I would like to have this information.

Mr. Schele.—I shall send it on.

President.—As regards machinery I take it that you have now got more or less all the machinery that you require and that there is not likely to be any great increase.

Mr. Schele.—There is an increase to come in order to enable us to do without overtime as I mentioned a little while ago.

Dr. Matthai.—What would you estimate the likely addition to the cost?

Mr. Schele.—I can give you the actual figure afterwards.

President.—I take it that most of the machinery had been installed by 1924?

Mr. Schele.—No. In 1924 we had only a capacity of 25 cases.

President.—But did you not order the machinery in 1924?

Mr. Schele.—No. Our original factory at Ambarnath was only for 25 cases and then we made extensions in 1925, 1926 and 1927 so there again when you take the cost price of 1924 as probably being on the high side, it only refers to the original building but the extensions were made subsequently.

President.—Have you given us any statement to show how much capital you had in each year. I don't think I have come across it.

Mr. Schele.—You have not asked for it.

President.—Will you let us have it under all the different headings?

Mr. Schele.—Yes.

President.—In the same form as you have given here for each year.

Mr. Schele.—Yes.

President.—I think in Calcutta you gave me a round figure of Rs. 20 lakhs as being sufficient for equipment; that may be taken as a near figure, can it?

Mr. Schele.—You mean for a factory like Ambarnath?

President.—Yes. This comes to about Rs. 23 lakhs but I think you said that if we took Rs. 20 lakhs that would be sufficient.

Mr. Schele.—But then I was talking of a lower production, we were not talking of 200 cases a day.

President.—Then your capacity was represented to be 8,500 gross a day.

Mr. Schele.—Now it is 10,000 gross. That figure will automatically appear when I give you the information in the afternoon of our present block value, and the additional machinery required in order to avoid working overtime; then we will have the actual capital required for making 200 cases. For the production at that time that is 150 cases, Rs. 20 lakhs would have been sufficient.

President.—My colleague just pointed out to me that you said that Rs. 20 lakhs would be sufficient for 2½ million gross.

Mr. Schele.—I see.

President.—As regards depreciation on the block value I think you stated that the depreciation allowed by the Income-tax people is not sufficient.

Mr. Schele.—No, it is not.

President.—I have been trying to work it out this way: 10 per cent. on machinery I understood was adequate and 2½ per cent. for buildings. Those are the rates which I think, you yourselves have taken: electric motors 7½ per cent., shafting 6½ per cent.

Mr. Schele.—Those are income-tax rates. I think 10 per cent. is on the low side.

President.—What do you suggest for the match making part?

Mr. Schele.—As far as the machinery goes I think 15 to 20 per cent. but that ought to be varied for different machines.

President.—We make a liberal allowance for current repairs. Ordinarily you do not scrap machinery under 10 years anyhow?

Mr. Schele.—In match making machines fare very badly because the whole principle of match making is to bring the match forward by shaking as you know from inspection of the factories. I don't think there is any other article that is made on the shaking principle so much as matches and consequently those machines where shaking takes place must fare very badly, specially the frame filling machines.

President.—But there are other machines which last for 50 years.

Mr. Schele.—Yes, and that is why one ought to allow depreciation as per machine in order to get a correct idea.

President.—There may be machines which last 50 years, there may be machines which last five years. Supposing we took 10 per cent. and apply it to the whole machinery, that does not seem to me to be very low. As a matter of fact very few business firms do allow 10 per cent. though they always say that they would like it. We have really come across very few people who really do it.

Dr. Matthai.—How did the Income-tax people assign this lower depreciation rate to match machinery than to general machinery for which they allow 7½ per cent.?

Mr. Schele.—I can only put that down to lack of information regarding match making because it ought to be the reverse really.

President.—We shall calculate on this basis. Supposing we allowed a higher rate of depreciation: it seems to me that 10 per cent. taken on the whole value of the machinery, having regard to the fact that some machines may not be scrapped up to 10 years and other scrapped after 5 years, would be reasonable, would it not?

Mr. Schele.—I will look into the figure again and if I don't agree may I have another chance of stating my reasons on the subject? In the meantime we can take 10 per cent.

President.—We follow a simpler method which I suggested to you last time, that is to say 6½ per cent. on the whole block value. If you like you can give us the rate of depreciation that you want at a particular percentage on each unit of match machinery and if you are able to satisfy us that there is a substantial difference between your method and ours we are prepared to consider it. If that makes a difference of something like 2 pies per gross, would you give us your calculation and say you want so much on such and such machinery and then you can also work it out at 6½ per cent. on the whole block. We went very carefully into the question in the very big enquiry into steel and we calculated the depreciation at different rates on different parts of the plant and we eventually came to the con-

clusion that there was not much in it even where we worked on a more elaborate system, and we would like to see what the results are in this industry.

Mr. Schele.—Yes.

Working capital.

President.—After that we have to add interest on working capital. I take it your working capital consists chiefly of stocks and stores, is it not?

Mr. Schele.—Yes.

President.—On these figures your stocks which amounted to 5.28 lakhs at Ambarnath in October, would include stocks of stores as well as matches, would they not?

Mr. Schele.—They do not include ready made matches.

President.—Where are the matches shown? Will they be shown in the head office?

Mr. Schele.—Yes.

President.—What do you estimate the stocks at?

Mr. Schele.—Stocks at Ambarnath, in various ports and on transit amounted to 4261 cases at the end of October.

President.—Does that include imported matches?

Mr. Schele.—No.

Mr. Mathias.—That is 50 gross a case: 4,261 cases or 213,050 gross?

Mr. Schele.—Yes.

President.—Is that the normal stock?

Mr. Schele.—No. I think we ought really to have two to three months' production in stock. That would be about 5,000 cases a month.

President.—Supposing we took three months' production.

Mr. Schele.—That would be 15,000 cases.

President.—That is about 7½ lakhs gross.

Mr. Schele.—Yes.

President.—7½ lakhs plus 5 lakhs for stores will make 12½ lakhs, that is about 5 months' turnover.

Mr. Schele.—Yes.

President.—Don't you think that is rather high?

Mr. Schele.—One must have a stock of raw materials for 3 months' supply. The question is how much stock you need to keep of ready made matches and there we don't think we have sufficient experience of the Indian markets for local matches to state what we need to-day.

President.—Supposing on an average we took four months' turnover both for stocks and stocks on your works cost would not that be reasonable?

Mr. Schele.—You must always keep matches all over the country in depôts.

President.—I am suggesting four months' production.

Mr. Schele.—That is one month's ready made matches and three months' ready made materials, but I wonder if one month's stock of ready made matches is sufficient. To send goods to Madras for example takes a fortnight or even three weeks.

President.—We cannot get any very exact figure but having regard to the general conditions in business, I suggest that four months' production would be a reasonable figure to take. To-day, for instance, you have 4,000 cases and Rs. 5 lakhs here, that is only about 7 or 8 lakhs. If you take a four months' turnover, that will give you Rs. 10 lakhs.

Mr. Schele.—It may be that stocks are exceptionally low.

President.—That is true, but there is a margin there.

Mr. Schele.—Those stocks at Ambarnath which we had up to the end of October are not sufficient and that is why we have increased our rates slightly.

President.—What figure do you suggest?

Mr. Schele.—I should say 5 months basing it on my present experience. In a year's time, I may be able to adjust that figure.

President.—I understand that your agents have to pay you cash.

Mr. Schele.—They don't pay cash before they sell the goods and we keep stocks for them free on consignment. All our goods are consigned.

Dr. Matthai.—Messrs. Forbes, Forbes Campbell and Company do not sell to their agents unless the agents pay cash.

Mr. Schele.—Quite.

Dr. Matthai.—You don't get cash unless they sell.

Mr. Schele.—That is true.

Mr. Mathias.—Last April when you gave evidence you had rather large stocks. Then the President asked you to give a separate figure for Amarnath and you gave 10½ lakhs.

Mr. Schele.—That was a theoretical figure based on sound principles. I pointed out at the time that I did not base it on our stocks at that time but on what we considered our normal stocks.

Mr. Mathias.—That is what the President has suggested. I think about Rs. 10 lakhs would be a satisfactory working capital, would it not. Four months' supply would be roughly equal to Rs. 10 lakhs.

Mr. Schele.—If you take a figure of Rs. 10 lakhs, I have no objection.

President.—We want to take a reasonable figure.

Mr. Schele.—The trouble is that I don't think I have sufficient experience myself.

President.—And we have less experience than you on these points. Judging by what we know of other industries, four months' worth would we think be a reasonable figure to take.

Mr. Schele.—Yes.

President.—As a matter of fact, the calculation whether we took ten or twelve lakhs would give such a small difference that it would not be worth while taking into account.

Mr. Schele.—For the purposes of our present discussion we shall take it that your figure would be all right.

President.—As regards head office charges, can you give us your total expenditure to show as to how you work out this 1 anna four pies.

Mr. Schele.—That is arrived at by dividing our expenditure by the turnover.

President.—If you will give us the total figure, it will be useful.

Mr. Schele.—I shall send it to you afterwards.

Profits.

President.—As regards profit on the fixed capital or the block value, what do you consider a good average in India?

Mr. Schele.—Very difficult to say.

President.—If you had to raise any capital what percentage do you think shareholders would expect? In your Swedish Match Company, as you know, your shares are on a very heavy premium and the nett return I suppose is not more than 5 or 6 per cent. That you can't apply here, can you?

Mr. Schele.—No. Here 15 per cent. would be considered reasonable.

President.—15 per cent. is rather a high figure.

Mr. Schele.—People do expect a higher return on their money in this country because they can lend their money in the bazar at one per cent. per month.

President.—The bazar people do not invest their money in industries. They lend it to small factories and make money that way. They don't invest in shares.

Mr. Schele.—Generally speaking a higher return is expected on money in this country. I have an impression that one per cent. a month is generally looked upon as reasonable.

President.—Take the Steel industry. For the ordinary shares we allowed 10 per cent. but the average was a return of 8 per cent. on the whole capital including debentures, preference shares and so on. 8 per cent. may be small in a smaller industry but 15 per cent. on the other hand seems a large figure.

Mr. Schele.—That is what you allow now but I daresay when the Steel industry was started in this country that the subscribers expected a very much higher return.

President.—They may expect anything, but what is a reasonable return on an industry which is fairly well established?

Mr. Schele.—One can't compare really.

President.—We go on this line. What is the return that a man gets on an industry which is put on a sound footing here? In this country there is hardly any industry in which they get 15 per cent.

Mr. Schele.—They do in jute.

President.—It is not 15 per cent. on the present value of the shares, that is what I mean.

Mr. Schele.—It is very high even now.

President.—Supposing you had an average return of 10 per cent.?

Mr. Schele.—I really think that the Board has more experience on that point than I have; it is very difficult for me to say anything definite.

Dr. Matthai.—Supposing the issue was this that you had to organise a public company for match manufacture in India. If you were to get a dividend of 10 per cent. on the capital, would that be attractive?

Mr. Schele.—I can't say because the issue of shares is always an uncertainty.

President.—Supposing the average rate is 10 per cent., then you see on the first preference you get 7½ per cent. and then on the remainder of the shares you may be able to get 15 per cent. It depends on in what proportion you have the shares. Now-a-days there is this practice which is becoming very common—one-third preference and two-thirds ordinary share capital.

Mr. Schele.—I quite realise that. The only thing is that I am not experienced enough to give an opinion. I think that one of the recognised financiers of this country would be a more suitable person to reply to this question.

President.—The dividend paid by the Swedish Match Company in Europe is on an average about 11 per cent. for a good many years.

Mr. Schele.—Yes.

President.—That is on the original value of the shares.

Mr. Schele.—It is very difficult to compare. The company was formed as a consequence of other companies' shares being handed over to this company at certain prices and so on. If you take the average between 12 and 15 per cent., I think that it would be reasonable.

President.—We are talking of a business in which there is not very much risk. In that case, the rate might be lower than in an industry in which an element of risk is present.

Mr. Schele.—Certainly.

President.—Where there is a risk in the business 15 to 20 or even 30 per cent. is not enough, but when the margin of risk is small, the rate allowed might be smaller.

Mr. Schele.—There is a risk in this business because the wood problem may turn out any way.

President.—That affects the general price of matches. It may not affect the industry in the country itself.

Mr. Schele.—Provided that the wood problem affects all the manufacturers in the same way, but it won't in this country. Calcutta may do well and Bombay may do badly in a year.

Dr. Matthai.—Supposing the duty is declared a protective duty and we fixed the period during which the duty remained operative, that might remove another big element of uncertainty from the present position?

Mr. Schele.—Yes.

Dr. Matthai.—That is the main uncertainty, is it not?

Mr. Schele.—I don't even consider that because naturally you must have the most elementary basis for the industry, i.e., that they know what is going to happen in the future, at least for a certain number of years. But apart from that the industry is so little stabilized to-day that really I think there is a lot of risk in investing money in the Match industry.

Dr. Matthai.—Apart from the fact that it is not an established industry is there any kind of difference that you can find between the match industry and other industries in this country? Assuming they were all established industries are there any special things about the Match Industry which would make the investors a little more reluctant to invest in the match industry?

Mr. Schele.—No, except that uncertainty with regard to wood.

Are the c.i.f. landed price and the f.o.r. works cost comparable?

President.—After we have made our calculations and arrived at the fair selling price f.o.r. works, we should like to know whether in making a comparison with the foreign prices we should take the f.o.r. works cost and the c.i.f. landed price excluding agent's commission and excluding charges from the wharf to the godown, or whether we should add the charges in both cases. What do you suggest for comparison?

Mr. Schele.—You must add the freight and insurance on foreign matches.

President.—I am talking of the c.i.f. landed price. What I was really thinking of is this. If we excluded the cartage and other charges after the matches were landed in India and also excluded the freight from Ambar Nath to the port the comparison may be fairly accurate. It is assumed that foreign matches will be sold at the ports.

Mr. Schele.—But then we have to distribute upcountry. You get cheaper freight from Ambar Nath than you get from Bombay.

President.—That would be in favour of Indian matches.

Mr. Schele.—If you take a local match factory and the imported goods landed in a godown and so forth then you get the right basis for comparison.

President.—Then we must take the f.o.r. works cost and exclude the dealers commission in both cases; would that be right?

Mr. Schele.—Yes, because both incur the same charges.

Mr. Mathias.—As regards f.o.r. cost would there be any charges for transporting matches from the factory to the railway station?

Mr. Schele.—That is included in the factory costs.

President.—In your case, I take it that generally speaking all freight charges will be borne by the customer.

Mr. Schele.—Yes, except of course where we send goods to depôts.

President.—That you will add to your selling price?

Mr. Schele.—Not always.

President.—In most cases?

Mr. Schele.—There are competitors everywhere. If I send goods to, say, Madras I am not always able to sell in Madras at my Bombay cost *plus* the cost of sending the goods to Madras. That is where our selling expenses come in. I have given you all that in the statement.

President.—That you will add to the dealers' expenses and so on.

Mr. Schele.—I can't because I have competition. If there was no competition I would be able to do it.

Dr. Matthai.—From Messrs. Forbes, Forbes Campbell and Company's statement it seems that the bulk of your sales are done upcountry on an average at Rs. 1-6-0 per gross f.o.r. works and in some cases it is slightly lower?

Mr. Schele.—Yes.

President.—It is very difficult Mr. Schele. It is better to leave out the freight in both cases, in the case of Swedish matches as well as Indian matches.

Mr. Schele.—Yes.

President.—More or less the same thing would apply so far as the markets in the interior are concerned. In the case of Madras of course you can import direct but as regards the inland markets the same principle would apply, would it not?

Mr. Schele.—Yes.

President.—So that I think you would agree with me that it would be safe for us to assume for the sake of comparison the c.i.f. price on the one hand and the f.o.r. fair selling price Ambar Nath on the other.

Mr. Schele.—Yes.

President.—In this statement that you have given (Supplementary Statement III) if I excluded dealer's commission of 1 anna 6 pies from the foreign prices, do I get the *ex-godown* price?

Mr. Schele.—Yes.

President.—That is comparable with the f.o.r. works price, is it not?

Mr. Schele.—Yes, but you should in that case also deduct the selling house commission—not only the dealer's commission but the importer's commission and the London House commission. That is included in the 2 annas 7 pies.

President.—Before the goods can land in this country the importer's commission and the London House commission have to be paid?

Mr. Schele.—No. The importer's commission is paid here.

President.—In any case he must be paid?

Mr. Schele.—Yes, also on local matches he gets paid. In the 2 annas 7 pies for local matches are included dealer's commission 1 anna 6 pies, and importer's commission one anna, that is 2 annas 6 pies.

President.—Why should there be any agent's commission included?

Mr. Schele.—Because they get their commission.

President.—Have we not taken that into account in the head office expenses?

Mr. Schele.—No.

President.—They get this commission on local matches?

Mr. Schele.—Yes.

President.—That is because you do business in that way. I am talking of a man who buys direct from the factory.

Mr. Schele.—Then you get a different position altogether.

President.—As to whether that should be included or not we shall consider hereafter.

Mr. Schele.—You are talking of the man who can buy direct.

President.—That is not the practice in India. There is no such thing as direct buying from the manufacturer.

Mr. Schele.—Messrs. Abdoolaly Ibrahim bought Japanese matches direct.

President.—I don't think so. Anyhow the normal practice in this country is to import goods from Europe through commission agents and there may be a very small exception where a very big man may be able to do it direct, but an ordinary man will have to do it through an importing house.

Mr. Schele.—Against that the normal practice is to buy through a commission agent from a factory too. They don't buy direct; there is always an agent between.

Dr. Matthai.—That agent in many cases is the wholesale dealer?

Mr. Schele.—Yes. There must be always somebody in between.

President.—He comes in at the later stage. We exclude the commission after the goods have arrived in this country in the same way as we exclude the commission that has to be paid on goods after they leave the factory.

Mr. Mathias.—What is the agent's commission?

Mr. Schele.—One anna, 9 pies here and 3 pies in London.

President.—He must pay London house commission, and in some cases he must pay importer's commission, but in all our enquiries we have gone into the c.i.f. landed price and the dealer's commission has not been taken into account.

Mr. Schele.—I quite agree but in that case the upcountry dealer won't buy f.o.r. factory. He will use some kind of commission agent on the spot.

President.—But that has nothing to do with the factory. You don't get it.

Mr. Schele.—No, but it is put on.

President.—What you get is the f.o.r. works fair selling price. After that you are not concerned with what happens. That is how we look at it.

Mr. Schele.—Talking from the manufacturer's point of view, after we have sold the matches, we have nothing to do with the importer's commission just as we have nothing to do with the man's commission who buys f.o.r. factory here. He might add 2d. or 4d. As far as we know we sell the goods to him and then he can do just as he likes exactly in the same way as the other man can do what he likes.

President.—To put your foreign goods into the godown, how much does it cost you? Everything except the dealer's commission, is it not?

Mr. Schele.—Yes.

President.—Very well. Then to put your goods into your works godown how much does it cost you? Everything except the agent's commission and the dealer's commission?

Mr. Schele.—Yes.

President.—So that the two prices are comparable, that is what I mean.

Mr. Schele.—Yes.

President.—But your point is this that from both sides I must deduct 1 anna 6 pies to get a comparison, is it not?

Mr. Schele.—Yes.

Mr. Mathias.—I think you stated that from the imported matches we will have to deduct the dealers' commission plus the importer's commission.

Mr. Schele.—Not as long as you don't deduct it on the other side.

Mr. Mathias.—That would be 2 annas 3 pies?

Mr. Schele.—Yes.

Mr. Mathias.—On the other side you have the dealer's and agent's commission 2 annas 7 pies.

Mr. Schele.—2 annas 6 pies on the one side and 2 annas 7 pies on the other.

Mr. Mathias.—You don't deduct the London house commission; that is part of the c.i.f. charge, is it not?

Mr. Schele.—What I really meant there is that instead of the London house getting 3 pies commission and the importing house getting 9 pies, the importing house got the whole of one anna.

Mr. Mathias.—But actually what you have got to compete against in imported matches is the c.i.f. price *plus* landing charges *plus* London house commission.

Mr. Schele.—If you take from the competition point of view.

Mr. Mathias.—So that that is a fair comparison to make to decide how much protection the industry requires?

Mr. Schele.—Yes.

Mr. Mathias.—When they calculate prices for the purpose of the duty do they include importers' commission?

Mr. Schele.—No.

Mr. Mathias.—But they would include the London house commission?

Mr. Schele.—No.

Mr. Mathias.—They should.

Mr. Schele.—The invoices are the original invoices from our selling agents in London.

Mr. Mathias.—The duty is levied on the landed price. It is specific in this case.

Mr. Schele.—Yes. The duty not being *ad valorem* those invoice prices are not paid so much attention to.

Mr. Mathias.—If this was an *ad valorem* duty?

Mr. Schele.—Then they would have to add the London House commission.

Mr. Mathias.—It would be charged on the London House commission *plus* the landing charges but not on the importer's commission. Is that correct?

Mr. Schele.—I suppose that it is the extreme way of dealing with the *ad valorem* duty. I am not conversant with the methods. All landing charges are included when you charge *ad valorem* and in that case our c.i.f. *plus* London House commission *plus* importer's commission are what are called in business H. D. (harbour delivery) prices.

President.—This price of 13 annas 8 pies that you have given here may be taken as your wholesale price of imported goods and Rs. 1-4-7½ as the wholesale price of Indian matches. Is that so?

Mr. Schele.—Yes.

Dr. Matthai.—It is not your wholesale price because it has to include profit. Profit is not included here?

Mr. Schele.—No. From that point of view it is not. It is our actual wholesale price: It is what we get. All these figures are based on our actual book figures. Those are not theoretical in any way.

Dr. Matthai.—You have got the statement of Messrs. Forbes, Forbes Campbell and Company. They tell us in Bhavnagar the price is Rs. 1-6-0 f.o.r. Ambarnath.

Mr. Schele.—We have to rail those goods to Bombay. I have not seen their statement. On an average these are the actual takings in accordance with our books. We have different prices in different markets.

Dr. Matthai.—Can you explain that figure of Rs. 1-6-0 given by Messrs. Forbes, Forbes Campbell and Company in the case of Bhavnagar?

Mr. Schele.—They don't say f.o.r. Ambarnath. It is obviously *ex-godown* Bombay.

Dr. Matthai.—In that case what does the difference between Rs. 1-6-0 and Rs. 1-4-7½ represent?

Mr. Schele.—That represents partly the expenses in sending the goods.

Dr. Matthai.—Do you mean transport from Ambarnath to Bombay?

Mr. Schele.—Yes, and partly premium on the price compared with other markets where we sell at lower prices. If we sold all our goods at Rs. 1-6-0 we would make a nice profit but of course we don't.

Dr. Matthai.—Except the freight from Ambarnath to Bombay the rest would be profit for you?

Mr. Schele.—Yes.

Mr. Mathias.—You have given the cost *ex*-factory and depreciation but you don't include any interest on working capital?

Mr. Schele.—No.

Mr. Mathias.—On this statement you are losing by the amount of interest on working capital?

Mr. Schele.—If you include the interest on working capital we are losing.

Mr. Mathias.—You are selling at a loss.

Mr. Schele.—Yes, but we do not pay any interest.

Mr. Mathias.—Actually you must include the interest on working capital so that you are really selling below cost price.

Mr. Schele.—I have never calculated like that.

Mr. Mathias.—I am taking your own calculation—your cost *ex* factory, your depreciation and so on which come to Rs. 1-4-7½.

Mr. Schele.—But this cost gives us a profit.

Mr. Mathias.—Where does the profit come in?

Mr. Schele.—In our selling price.

Mr. Mathias.—Do you include profit in that?

Mr. Schele.—Yes.

Mr. Mathias.—Do you include also the interest on working capital?

Mr. Schele.—I don't know whether the selling price also cover the interest on the working capital. But we never pay that.

Mr. Mathias.—What is the dealer's and agent's commission out of this 2 annas 7 pies?

Mr. Schele.—2 annas 6 pies.

Mr. Mathias.—Leaving only one pie for the interest on working capital and profit?

Mr. Schele.—Yes. These are actually taken from the books on recoveries. In some instances we do not pay 1 anna 6 pies because many upcountry despatches are made on smaller commission.

Mr. Mathias.—You said dealer's and agent's commissions amount to 2 annas 6 pies?

Mr. Schele.—Yes; that is worked on the Bombay dealer's commission 1 anna 6 pies and agent's commission 1 anna if we rail to upcountry dealers.

Mr. Mathias.—Is this the average?

Mr. Schele.—This is the actual average taken from our books.

Mr. Mathias.—If 2 annas 6 pies is the average, you have only 1 pie left to cover interest on working capital and profit.

Dr. Matthai.—What period does this average represent?

Mr. Schele.—For the whole year. To get the profit we have to compare Rs. 1-4-7½ with our average selling price.

Dr. Matthai.—I think Rs. 1-4-7½ is your fair selling price?

Mr. Schele.—No.

President.—In order to get your wholesale fair selling price we have to add to the f.o.r. works fair selling price this 2 annas 7 pies. Is that right?

Mr. Schele.—Yes, plus the profit we make at present.

President.—I am not taking this figure. Our fair selling price consists of the works cost plus overhead charges and profit: That is the fair selling price as we understand it.

Mr. Schele.—There is no profit included in that.

President.—I am not dealing with your statement.

Mr. Schele.—You said 2 annas 7 pies.

President.—You want 2 annas 7 pies to be added to what we consider the fair selling price f.o.r. works?

Mr. Schele.—Yes.

President.—That gives you your average wholesale selling price?

Mr. Schele.—Yes.

President.—Then as regards the c.i.f. price we must add landing charges 6 pies, importer's commission 9 pies, London house commission 3 pies and dealer's commission 1 anna 6 pies, is that correct?

Mr. Schele.—Yes.

President.—Then these prices become comparable?

Mr. Schele.—Yes.

President.—The difference between the two prices according to our usual method is the amount of protection required. You have given the c.i.f. price all ports as 1 shilling, that is 10 annas 8 pies.

Mr. Schele.—Yes.

President.—That I understand is the nett c.i.f. price. The actual c.i.f. price is 1s. 2d.

Mr. Schele.—This is the average based on our prices at the various ports.

President.—What do you mean?

Mr. Schele.—We have different prices at different ports. In Karachi we get more than what we get in Bombay, Madras is also a port where we get more for our matches than in Calcutta and Bombay. The average works out at 1 shilling at present.

President.—What is the c.i.f. price in Bombay?

Mr. Schele.—10d. at present.

President.—That is to say, that is the price at which you land the goods here?

Mr. Schele.—We consign to Bombay as you know.

Mr. Mathias.—That is the invoice price?

Mr. Schele.—The invoice price does not matter. We send the invoice with the goods as *pro forma*. Then Forbes have to sell the goods at the best possible price. Lately the prices of imported matches have been lower: we have not been able to get more than Rs. 2-3-0. If you deduct from Rs. 2-3-0 the duty of Rs. 1-8-0 and the landing charges and commission I think you will arrive at less than 10d., but 10d. is our average.

Mr. Mathias.—What is the actual c.i.f. price?

Mr. Schele.—10d. in Bombay.

Mr. Mathias.—Just now?

Mr. Schele.—Yes.

Mr. Mathias.—That includes all your charges, freight, insurance and so on?

Mr. Schele.—Yes.

Mr. Mathias.—Can you tell me how much that comes to per case?

Mr. Schele.—Do you mean freight and insurance?

Mr. Mathias.—Can you give me the freight from your factory to the port?

Mr. Schele.—8'20 shillings per case on half size matches; that is freight, insurance and London house commission per case of 50 gross.

Mr. Mathias.—That is equal to 2d. per gross?

Mr. Schele.—Yes, roughly speaking.

President.—Your c.i.f. price is 10d.?

Mr. Schele.—It works out at that at present in Bombay.

President.—We have to deduct your charges. Do your goods come direct from Sweden or do they come from London?

Mr. Schele.—This is direct, but there is a commission to be paid to our agent in London. That is included in 8-20 shillings.

President.—There is freight and handling charges from the factory to the port. Are they included in it?

Mr. Schele.—Yes.

Mr. Mathias.—And the London house commission?

Mr. Schele.—Yes.

President.—Practically what it comes to is this. F.o.r. works cost in Sweden is 8d.

Mr. Schele.—We have to work at the average.

President.—You get 10d. here.

Mr. Schele.—Yes, if you speak of Bombay.

President.—I am just now speaking of Bombay. Your f.o.r. works price in Sweden is 8d. for Bombay.

Mr. Schele.—Yes.

President.—Do you claim that that gives you all your works cost *plus* overhead charges, as we have calculated here, *plus* your profit?

Mr. Schele.—I would not like to make a statement on that.

President.—It is for you to suggest.

Mr. Schele.—Yes, if you consider our average price of 1s.

President.—We are dealing just now with Bombay. We will deal with your average price later.

Mr. Schele.—I quite realize that, but if you will allow me I would say against that that our actual recovery in Sweden is 1s. a gross and in Mr. Kreuger's statement he mentions that this price gives a nominal profit.

President.—That I understand.

Mr. Schele.—I can only go by that because the cost in Sweden is not known to me.

President.—If you can afford to sell at 8d. a gross in Sweden and make the profit that we are supposed to allow you here in this country I should be astonished.

Mr. Schele.—From Mr. Kreuger's statement I can only draw the conclusion that 1s. is apparently the price and that gives them a nominal profit.

Mr. Mathias.—When you speak of 1s. do you mean 1s. c.i.f.?

Mr. Schele.—Yes.

Mr. Mathias.—That is to say it is 10d. in Sweden?

Mr. Schele.—Yes.

Mr. Mathias.—So that as the profit is nominal only one can take your cost in Sweden at somewhere near 8 or 9d.?

Mr. Schele.—I don't see how you can take one isolated port: take Tuticorin for instance, there you will find a different price.

President.—You have the largest works in Bombay. The complaint against you is that you are selling these matches in Bombay at a price which apparently cannot be very remunerative, *i.e.*, 8d.

Mr. Schele.—Do you talk of local matches or foreign matches?

President.—I am talking of foreign matches.

Mr. Schele.—There again you must realize that these prices have been caused by the present decline in Swedish matches. It is not the normal

condition. We cannot get rid of our stocks. We have say 3,000 cases of matches, we may not be able to get rid of these matches at all. The way of deciding prices to-day must be based on the possibility of clearing our stocks or sending them back to Sweden. Naturally our prices in the past were more than 10d. I think last year we got 11d. or 1s. in Bombay and the year before we got 1s. 1d.

President.—I am talking of Bombay just now.

Mr. Schele.—So am I.

President.—Take it in a different way. Your average wholesale price is Rs. 2-3-0 in Bombay.

Mr. Schele.—That is what it has come to lately.

President.—Let us see what figure we get—Rs. 2-3-0 less Rs. 1-8-0 that is 11 annas, less 6 pies, 9 pies, 3 pies and 1 anna 6 pies that is less 3 annas. That leaves 8 annas. From that you deduct 2d. again.

Mr. Schele.—I would make 8 annas into pence first and then calculate 8 annas = 9d.

President.—And you deduct 2d. from that. That leaves you 7d.

Mr. Schele.—Our average is higher than Rs. 2-3-0.

President.—If you are selling at Rs. 2-3-0 you get 7d. in Sweden.

Mr. Schele.—Yes. If we are selling at Rs. 2-4-0 we get 8d.

President.—Here there is no question of any average price at the ports. This is as regards the whole of this market.

Mr. Schele.—Yes.

President.—Can you tell me what you are getting for your Swedish matches on an average for all the ports?

Mr. Schele.—1 shilling.

President.—What is your selling price corresponding to Rs. 2-3-0?

Mr. Schele.—Do you mean in the whole of India?

President.—Yes. How do you get 1 shilling? I get only 9d.?

Mr. Schele.—It varies. In Karachi we sell on indent basis and we get 1s. 2d. c.i.f. That is the price we get in London cash against document. In Madras we get 1s. 1d. in the same way.

President.—Supposing 1s. is your average price then adding these charges your wholesale price is 13 annas 8 pies; to that you must add Rs. 1-8-0 duty, so you get Rs. 2-5-8 as your average.

Mr. Schele.—Yes.

President.—Are you getting that?

Mr. Schele.—Prices in both Karachi and Madras are higher than that.

President.—For half size?

Mr. Schele.—Yes.

President.—Can you give me those prices?

Mr. Schele.—I have no say in those prices at all.

President.—Can you give me the actual c.i.f. prices at which the Swedish Match Company sells matches to these people?

Mr. Schele.—1s. 2d. c.i.f. Karachi and 1s. 1d. c.i.f. Madras.

President.—In those cases we have to add those other charges?

Mr. Schele.—Yes, you have to add landing charges, importer's commission and London house commission.

President.—What it comes to is this, that the highest price you get is 2d. more.

Mr. Schele.—Yes, 2d. more c.i.f. in Karachi.

President.—And a penny more in Madras.

Mr. Schele.—Yes.

President.—The price at Bombay is the lowest?

Mr. Schele.—Yes, at present.

Dr. Matthai.—How exactly did you work out 1s. as your average?

Mr. Schele.—That was taken from our books in Sweden just before I left.

Dr. Matthai.—That is a weighted average?

Mr. Schele.—Yes, taken from actual recoveries.

Continued on Sunday, the 18th December 1927.

Mr. Schele.—I have brought the figures regarding waste.

President.—That is in the manufacture, is it?

Mr. Schele.—Yes. The figures with regard to Sweden I should like you to treat as confidential.

President.—We will.

Dr. Matthai.—Can you get me the c. i. f. Bombay price for $\frac{1}{4}$ size and sulphurs?

Mr. Schele.—Yes, I could get it for you.

Commission.

President.—I want to go back to the question of commission. As regards imports from Sweden of Swedish matches at present if you have stopped all agency business, would it not be more simple?

Mr. Schele.—Yes.

President.—If anybody wants to import direct, what would happen?

Mr. Schele.—There are a lot of people who do that in India.

President.—Would you quote them the same price as you would to Messrs. Forbes?

Mr. Schele.—We have different importers.

President.—Take Bombay.

Mr. Schele.—Messrs. Forbes are our sole agents in Bombay. Nobody else can import Swedish matches except them, but in Karachi, for instance, we have got roughly 10 import houses who all import matches at the same price.

President.—They pay everything to you except the dealers' commission.

Mr. Schele.—They simply buy in London at the rate of 1s. 2d. c.i.f. What they do afterwards is no concern of ours at all.

President.—That includes the importer's commission, and the London house commission?

Mr. Schele.—Yes, then they add whatever they like. After London we theoretically do not know what happens but being out here we can of course see what they have put on to our selling price.

President.—Then they get practically at the same price.

Mr. Schele.—Then they put on their own profit.

President.—What I mean is this. Here for instance your average selling price is 1 shilling, but to that is added the dealer's commission of 1 anna 6 pies. Instead of the dealer's commission, you charge them 2d. extra?

Mr. Schele.—But then they have to pay their dealer's commission.

President.—That is true.

Mr. Schele.—Yes.

President.—The man who imports direct from you does not get the matches any cheaper than the man who buys from Messrs. Forbes?

Mr. Schele.—The Karachi man cannot buy from Messrs. Forbes.

President.—What I mean is this. He would get them at the same price as he would have got them from Messrs. Forbes?

Mr. Schele.—That is on account of the difficulty of disposing of Swedish matches in the Bombay market at present. There is a better demand for Swedish matches in Karachi and consequently we can sell at Karachi at a higher rate but if the market conditions in Karachi were the same as in Bombay to-day, naturally we could not get a higher price there than what we are getting to-day in Bombay.

C.i.f. prices.

President.—You have given your prices before. On page 8 of your written representation, paragraph 51, you have given for 1922 the c.i.f. price as 1s. 4d. I do not know to what period this 1s. 1d. to 1s. 2d. applies?

Mr. Schele.—That is the period from 1923 to 1927.

President.—Now it is 1 shilling.

Mr. Schele.—Yes, on the average.

President.—So there has been since 1922 a drop of 4d.

Mr. Schele.—Yes.

President.—Is it due to any reduction in your costs in Sweden or is it due merely to the conditions in the market here?

Mr. Schele.—This was due to the Japanese competition.

President.—That was due to the conditions of the market. It had no relation to any reduction in costs.

Mr. Schele.—No.

President.—Do you claim that there has been very much reduction in your general costs in Sweden since 1922?

Mr. Schele.—I think so.

President.—Would it correspond to 4d. a gross?

Mr. Schele.—I can't express any opinion on that.

President.—It is rather important.

Dr. Matthai.—The general fall in prices must have brought down the costs of material labour and so on?

Mr. Schele.—Yes. And then as a company like the Swedish Match Company carries on manufacturing, they naturally increase their efficiency. The amalgamation was brought about as late as 1917. The war years and after-war years were exceptional conditions. Therefore those years naturally retarded the progress that would have happened otherwise after the amalgamation. So, the real full benefit of that amalgamation towards the standardisation of manufacture did not take place until after 1922.

President.—In 1927 the price was 1s. 2d. Now it is 1s. Does that represent any reduction in your works costs?

Mr. Schele.—It is 1s. 1d. to 1s. 2d. As I showed you yesterday it is really the price in Bombay that has brought down the average to as low as 1 shilling.

President.—That is quite independent of your costs?

Mr. Schele.—I would put it this way, that we have not been able to help ourselves with regard to prices for imported matches. We have our stocks out here. We have to sell them and, as explained in our memorandum, we must keep our imports going until matters have been decided here in order to keep our trade marks before the public.

President.—Would it be right to put the position generally thus: that this difference of 4d. between 1922 and now is partly due to some reduction in your works costs but mainly due to the conditions of the market?

Mr. Schele.—These two considerations have not had any connection at all.

President.—What was the cause of the reduction?

Mr. Schele.—We were compelled to reduce our price on account of Japanese competition.

Mr. Mathias.—You mean in order to keep up your production?

Mr. Schele.—Yes and to maintain our hold on the markets.

President.—Then, it was entirely due to the conditions of the market.

Mr. Schele.—I should say so.

President.—We are not going at present into the question of the fair selling price of your full size matches because I think we must take evidence in Calcutta before we go into that question. You do not manufacture any full size here, do you?

Mr. Schele.—No.

President.—It may be necessary to examine you afterwards.

Mr. Mathias.—Is there no formula which would enable one on a consideration of the price of the half size matches to arrive at an approximate figure for the full size?

Mr. Schele.—One ought to be able to do that if matters were stabilised in this country. You remember I gave the figure of 1.42 when I was in Calcutta. Now coming back from my leave I find that the relation is 1.25.

Mr. Mathias.—It depends on the price of wood?

Mr. Schele.—Yes, wood has fluctuated so much.

Mr. Mathias.—So that there is no formula?

Mr. Schele.—No, not at the present moment.

President.—In Sweden, apart from the conditions of the market, in fixing your fair selling price what proportion would you take between half and full size?

Mr. Schele.—As far as I can remember it is 1 shilling to 1s. 6d. between half and full, but I will look into these figures and verify.

Mr. Mathias.—For what?

Mr. Schele.—Per gross. All our prices are fixed on that basis originally. But then you will find that perhaps you get more competition in full size and you have to alter that.

President.—I quite agree. Supposing you were selling in Sweden itself, what difference would you maintain?

Mr. Schele.—As far as I can remember that is the difference, but I will look up and let you know.

Mr. Mathias.—Do you mean that if half size were 1 shilling, full size would be 1s. 6d.

Mr. Schele.—Yes.

Mr. Mathias.—That is about 50 per cent. more.

Mr. Schele.—Roughly.

Mr. Mathias.—As regards the $\frac{3}{4}$ size is there any difference corresponding to this?

Mr. Schele.—That size comes in between. I think it is 4d. more than the half size.

Dr. Matthai.—With regard to your local prices that you give here the full size is your Calcutta figure and the other is the Bombay figure. Am I right?

Mr. Schele.—Yes.

Dr. Matthai.—I was looking at it this way. If I take Re. 1-1-0 and Re. 1-4-0 I get the proportion of 100. and 125, but then you might say that the Calcutta cost of wood is different from the Bombay cost of wood.

Mr. Schele.—Yes, they are to-day.

Dr. Matthai.—But your Calcutta selling expenses are higher than the Bombay selling expenses?

Mr. Schele.—Yes.

Dr. Matthai.—That is to say, if the full size were to be made in Bombay under the conditions you have in Ambarnath, more or less this proportion might stand at present, that is to say what you lose on wood you gain on the selling expenses?

Mr. Schele.—That is very theoretical because we cannot sell full size on this side of India.

Dr. Matthai.—Assuming there was a market for full size and you were making them and the cost of wood and selling expenses were the same, in that case the same proportion might stand, that is 4:5?

Mr. Schele.—You are quite right, although you are purely theoretical.

Mr. Mathias.—This statement of the Calcutta factory's costs, is that for half size?

Mr. Schele.—No, for full size.

Mr. Mathias.—So that their costs are considerably below your costs taking, this 100 and 150 proportion?

Mr. Schele.—True, but the actual proportion now is 125.

Mr. Mathias.—Do you mean the actual proportion in your own factory?

Mr. Schele.—Yes.

President.—Who are your agents in Calcutta?

Mr. Schele.—Messrs. Forbes, Forbes Campbell and Company.

President.—They are also there?

Mr. Schele.—Yes.

President.—I was not aware of that otherwise I would have asked for a similar statement as regards the Calcutta market from them.

Mr. Schele.—I think we can supply that from our office.

President.—We would like to have the same sort of note as they have given for the Bombay market.

Mr. Schele.—I organized that market myself and I can give you that. It is a very expensive selling organization in Calcutta.

President.—I take it that they get some commission there as they get here. Is it 1 anna 6 pies or do they get more there?

Commission agents.

Mr. Schele.—They get more because you have two stages. Sometimes it is necessary to give credit on the Calcutta side and consequently there is first of all a man who guarantees the credit and again he has a sub-agent. So in certain instances we pay 1 anna 6 pies to the man who guarantees the credit and then he pays 1 anna to the next man who actually sells the goods.

President.—Then actually there are three commission agents in Calcutta—Messrs. Forbes and two brokers.

Mr. Schele.—We have three middlemen. First of all Messrs. Forbes and then the man who guarantees the credit. The latter sells to sub-distributors in various places. For instance take our Chittagong agency. There we have agents who guarantee all the credits and collect the money, but then they have sub-agents in Dacca, Mymensingh, Sylhet and so on and those sub-agents won't work for nothing.

Mr. Mathias.—You have first of all Messrs. Forbes and under them an agency which guarantees the credit and then you have a sub-agency and then the sub-agency sells to the dukandars and they in their turn sell to the retailers?

Mr. Schele.—Yes.

Mr. Mathias.—Are the agency and sub-agency independent of you and are they both independent of the Swedish Match Company?

Mr. Schele.—Yes they are.

Mr. Mathias.—They are not merely selling branches of yours?

Mr. Schele.—No.

President.—As regards the prices of the full size, really speaking the prices have been steady practically since 1923—1s. 7d. to 1s. 8d. per gross. At present it is 1-72d. If it was 1s. 10d. in 1922 there has been a drop of just under 2d. Was that also due to any Japanese competition?

Mr. Schele.—Yes.

President.—I see that both in the Calcutta price and in the Bombay price your head office expenses are given as 1 anna 1½ pies. Do you allocate them between the two?

Mr. Schele.—That is the actual amount spent in the head office divided by our turn over. I will give you the actual figure.

President.—Practically what you do is to take the sales of Calcutta and the sales here and divide. Do the Calcutta sales include the Assam factory?

Mr. Schele.—No.

President.—That is entirely separate?

Mr. Schele.—Yes, being a public company.

President.—Has it got its own selling organisation?

Mr. Schele.—It pays a commission to Messrs Forbes and that commission must cover all expenses.

President.—What is the commission it pays?

Mr. Schele.—5 per cent., on realization.

President.—Does it work out to more than 1 anna 6 pies there?

Mr. Schele.—No, it would not. Do you mean 1 anna 6 pies as compared with the dealer's commission here?

President.—Yes.

Mr. Schele.—That is not meant to cover dealer's commission. That is deducted from the gross proceeds to give the Assam Match Company the nett proceeds. 5 per cent is meant to cover office expenses.

President.—In addition to 1 anna 6 pies commission?

Mr. Schele.—They do not get 1 anna 6 pies. 1 anna 6 pies is the dealer's commission, Forbes will get only one anna.

President.—On this side is it one anna?

Mr. Schele.—Yes on local matches, and the same in Calcutta, so that 5 per cent. is meant to cover one anna plus the selling expenses but then the actual commission to upcountry dealers is being deducted from the gross proceeds.

President.—As regards these local prices with which Messrs. Forbes, Forbes Campbell have supplied us, the prices given are not nett prices as far as I can see. They include commissions actually paid to dealers. When you say 1 anna 6 pies for instance, or 1 anna 5 pies.

Mr. Schele.—That has to be deducted.

President.—What I want to know is your actual nett realized price.

Mr. Schele.—I have got it here.

President.—That is what I want for the whole of this year as well as for the different years.

Mr. Schele.—Re. 1-4-10 is our actual recovery in Bombay. That is our gross selling price.

Dr. Matthai.—That is to say Re. 1-4-10 includes Forbes' commission?

Mr. Schele.—Messrs. Forbes' commission is already included in Re. 1-4-7½. What we recover is Re. 1-4-10, so the difference between Re. 1-4-7½ and Re. 1-4-10 is our profit at present.

President.—That is for the whole of Ambar Nath?

Mr. Schele.—Yes.

President.—Can you show us how you have worked it out?

Mr. Schele.—This is works cost together with the selling price.

President.—I suppose you must have the prices realized in each year?

Mr. Schele.—I have not got them here.

President.—How do you work out the average?

Mr. Schele.—This is worked out on the basis of recoveries.

President.—That excludes freight and everything?

Mr. Schele.—This is nett to me. This is my actual figure at the end of the year on which my profit and loss is based.

President.—Re. 1-4-10 for what period?

Mr. Schele.—Last month.

Mr. Mathias.—If you get Re. 1-4-10 out of that you have got to pay nothing?

Mr. Schele.—Out of that I have got to pay the sales charges.

Mr. Mathias.—That is not nett then?

Mr. Schele.—No, it is gross selling price?

Mr. Mathias.—Re. 1-4-10 minus 2 annas 7 pies is that the nett price?

Mr. Schele.—Re. 1-4-7½ is my nett price.

Mr. Mathias.—But that includes 2 annas 7 pies which is your selling expense?

Mr. Schele.—Re. 1-4-10 minus 2 annas 7 pies and 1 anna 1½ pies gives me my nett price.

Mr. Mathias.—What is the actual cash that you get?

Mr. Schele.—My nett price at the factory is Re. 1-4-0½. That corresponds to Re. 1-0-2.

Mr. Mathias.—That is after paying all expenses?

Mr. Schele.—Yes, and depreciation. I take the depreciation separately because you do it. We don't do it otherwise.

President.—I want the price which actually goes into your pocket from the sales.

Mr. Schele.—That is Re. 1-4-0½.

President.—You sell to Messrs. Forbes 5,000 cases: whatever your costs may be you get from them Re. 1-4-10 per gross. Is that the position?

Mr. Schele.—Yes.

Dr. Matthai.—Do you remember the statement of Messrs. Forbes, Forbes Campbell and Company? Here you get Re. 1-5-0 and Re. 1-6-0. Assuming the price is Re. 1-5-0, I take it what that means is that is the price at which a dealer gets his supplies from Messrs. Forbes.

Mr. Schele.—Exactly.

Dr. Matthai.—Therefore that excludes the dealer's commission.

Mr. Schele.—Yes.

Dr. Matthai.—The difference between that and Re. 1-4-7½ is their profit if that were the price.

Mr. Schele.—Exactly.

Dr. Matthai.—Re. 1-4-10 is the average price.

Mr. Schele.—Yes.

Mr. Mathias.—You are making 2½ pies per gross.

Mr. Schele.—Yes.

Mr. Mathias.—Out of that you have got to cover your profit and interest on working capital.

Mr. Schele.—Yes, but I will be making more now because I have increased my price by 6 pies to 1 anna.

Mr. Mathias.—That is quite recently.

Mr. Schele.—Yes, just before I came back from Europe.

Dr. Matthai.—Going back to this comparative statement of yours: this Re. 1-4-7½ includes the dealer's commission?

Mr. Schele.—Yes.

Dr. Matthai.—Re. 1-5-0 does not include the dealer's commission. Therefore your profit is the difference between Re. 1-5-0 and Re. 1-4-7½ minus Re. 0-1-6?

Mr. Schele.—I think that instead of taking Rs. 1-5-0 you had better take the average which is Re. 1-4-10.

Dr. Matthai.—It depends on what Re. 1-4-10 is. I assume that that is the price at which the wholesale dealer gets his supplies from Messrs. Forbes?

Mr. Schele.—Yes.

Dr. Matthai.—Therefore Re. 1-4-10 does not include the dealer's commission consequently he puts on the commission which he gets when he sells to the retailer?

Mr. Schele.—No. His commission is included in that Rs. 1-4-10. It must be included in that Re. 1-5-0 too. He does not add it on.

President.—Re. 1-4-10 is the average for the first ten months?

Mr. Schele.—Yes.

President.—I suppose it has gone up by about an anna, has it?

Mr. Schele.—Not the average but the present price has gone up by half to one anna. On the average it will make a difference of a couple of pies. The position is that we have sold forward. So, for this year there won't be much difference. For next year, the average will be Re. 1-5-0 or Re. 1-5-2 if we can maintain our price.

President.—What I want to know is this. Here you show different commissions according to quantities and various other things. I want to know exactly what this other commission amounts to on an average. You employ so many dealers and you give them different rates.

Mr. Schele.—After having paid all these commissions and discounts our actual recoveries are Re. 1-4-10. If our average selling price is Re. 1-6-0, these commissions amount to one anna and two pies because they are based on actual recoveries. That is a weighted average.

President.—You have already included 2 annas 7 pies in your fair selling price, haven't you?

Mr. Schele.—Yes.

President.—On top of that, you give some commission?

Mr. Schele.—Yes, we give some discount and commission to the up-country dealers.

President.—Now, I want to know what is the average commission that you pay before you recover Re. 1-4-10?

Mr. Schele.—From this it looks as if it was 1 anna 2 pies. I will see whether I can get you a more correct figure.

President.—You have got to take the average.

Mr. Schele.—That is really coming back to this figure, viz., our invoice price.

President.—The prices vary sometimes. It is Re. 1-4-0 sometime and Re. 1-5-6 at other times.

Mr. Schele.—That is why it is so very difficult for me to get at it.

President.—You must know exactly how much commission has been paid to the dealers.

Mr. Schele.—No because that is included in the price.

President.—Are you not curious enough to find out how much you are giving away to the dealers?

Mr. Schele.—I know that from actual recoveries. But how that is split up does not interest me at all.

President.—Don't you want to find out how much your sales organisation costs?

Mr. Schele.—I tell Messrs. Forbes to sell at Re. 1-6-0 and I only get Re. 1-4-10 from them and that shows that the average amount of discount and commission up-country is 1 anna 2 pies. That is quite enough for me.

President.—What is the average price at which you sell to Forbes?

Mr. Schele.—That is what I would like to look into.

President.—I would like to have more accurate figures,—at what price you sell to Messrs. Forbes. You have given us the nett price. The difference between the two is what goes to the dealers.

Mr. Schele.—I will let you have our average price to Forbes compared with our recoveries and the difference will be the commission and discount paid up-country.

President.—That is precisely what I want to know. After that you do not care what happens or to know what the dealers take. They take as much as they can from the market. You don't control the retail price or the dealers' price.

Mr. Schele.—If I tried to do that I don't think I would live very long. That would be a tremendous work.

President.—Will you give me the same sort of information as regards your other three organizations, namely, Calcutta, Assam and Burma?

Mr. Schele.—Yes.

President.—What does Burma do? That is not the Western India Match Company, is it.

Mr. Schele.—That is the Burma Match Company.

President.—That is the Western India Match Company in fact?

Mr. Schele.—No, that is the Swedish Match Company.

Mr. Mathias.—Is it not the Kemmendine Match Company? Are they not your selling agents?

Mr. Schele.—Yes.

Mr. Mathias.—Does that company operate in Calcutta too?

Mr. Schele.—No, only in Rangoon.

Mr. Mathias.—They deal both in imported matches as well as local matches, do they?

Mr. Schele.—Yes.

President.—In order to arrive actually at your cost of distribution we have to take these three commissions?

Mr. Schele.—Yes.

President.—And I suppose whatever office allowance you may be making to Forbes it is not included in the commission?

Mr. Schele.—It is included in the commission.

President.—Don't you make any separate allowance?

Mr. Schele.—That comes into this agent's commission of 2 annas 7 pies.

President.—Does it not go into the head office expenses?

Mr. Schele.—No.

President.—That is 1 anna *plus* something.

Mr. Schele.—That is included in that 1 anna.

President.—You don't give them any office allowance?

Mr. Schele.—It comes to 1 anna. Really it is a percentage *plus* office expenses and that works out at 1 anna.

President.—Is the percentage calculated on the realization?

Mr. Schele.—Yes.

President.—What is the percentage?

Mr. Schele.—It is on a sliding scale; I do not know what it is now because it has been altered during my absence. It is a sliding scale depending.

President.—Upon the competition?

Mr. Schele.—No, on the prices that they realize. If the prices are lower they get more commission because they are supposed to make the same revenue as they are supposed to do on imported matches.

President.—Then why should they sell more if they get the same commission by selling less. I do not understand the point of it?

Mr. Schele.—They do not get the same commission by selling less quantity, but they make the same per case even if prices are lower by an automatic increase in the commission rate.

President.—One anna a gross on 5 millions?

Mr. Schele.—But they don't sell all these 5 millions.

President.—It is all sold through them, is it not?

Mr. Schele.—We sell a lot of WIMCO matches in Madras and Calcutta and also in Karachi and Rangoon.

President.—Will you please tell us what they actually get? Will you show separately what they get on imported matches and on the Indian?

Mr. Schele.—This is rather confidential. I am not quite entitled to give out Messrs. Forbes profits.

President.—They should have been here this morning.

Mr. Schele.—You have not asked them to appear.

President.—I understood they would be here throughout the hearing. In any case somebody must give us this information. You can speak to them and let us know. You can give us the information confidentially now and then they must give it to us officially.

Mr. Schele.—I will ask them whether they will allow me to give those figures.

President.—Or tell them that otherwise the Board must assume that they get 1 anna 6 pies on importations and one anna on all your production. Do you mind telling us how much you sell outside? I want to know from your side now, how much you sell in markets where Forbes are not interested.

Mr. Schele.—I shall give you the total quantity. Messrs. Forbes are selling and how much we sell outside.

Mr. Matthias.—Do you sell direct in other markets?

Mr. Schele.—Yes. We have two agents in Madras. Messrs. Gordon Woodroffe and Company and Messrs. Simson McConechy and Company.

President.—You save your agency commission in Madras.

Mr. Schele.—They do get a commission.

Mr. Mathias.—Do they get the commission which Messrs. Forbes get?

Mr. Schele.—There is a difference. They get 2½ per cent. on the turnover.

Mr. Mathias.—The position that Messrs. Forbes occupy in Bombay Messrs. Gordon Woodroffe occupy in Madras, is that correct?

Mr. Schele.—Exactly.

President.—Can you give me some idea as to what the practice is in other parts as regards this selling organization, because it does seem to me that there are far too many men before you get to the market. Is it the same in Sweden? I suppose in Sweden you sell almost direct?

Mr. Schele.—In Sweden we sell to the wholesaler and he sells to the grocer, and then there is an organization for the tobacco shops and they sell to their retail shops.

President.—In the case of the tobacco organization I suppose that organization deals direct with you?

Mr. Schele.—Yes.

President.—So that there is only one person between you and the retailer really in Europe whereas you have got three or four here?

Mr. Schele.—But is not that the position in all commodities in India that you have got a lot of middlemen?

President.—Unfortunately so, but the idea is to eliminate middlemen as far as possible in most industries if you can achieve it. That is the object of the co-operative movement, is it not?

Mr. Schele.—Yes.

Comparison of indigenous product with imported Swedish matches.

President.—I want to examine you about the circular letter issued by the Board, but before I go on to that I want to put to you one or two general questions. You have got three or four years experience of manufacture in this country now. Supposing you were asked to do it, would you be able to produce exactly the same class of matches as you do in Sweden if you were to use aspen throughout in this country?

Mr. Schele.—Not exactly the same.

President.—What would be the difference?

Mr. Schele.—The same difference as we have to-day. It may be a small difference to the ordinary man in the street, but there is a difference in the finish between our WIMCO and Swedish matches.

Dr. Matthai.—You mean finish of the splints?

Mr. Schele.—Finish of splints, finish of the boxes, finish of packing and everything.

President.—That is as regards the get up of the article, but apart from that would you get more or less the same class of article?

Mr. Schele.—You cannot get exactly the same good composition out here.

President.—Why?

Mr. Schele.—On account of climatic conditions when you make matches—particularly during the monsoon.

President.—When you have more experience I am sure a big organization like yours ought to get over these difficulties?

Mr. Schele.—We are conducting experiments in that direction but still there is a difference.

President.—Gradually you are getting over the difficulty, are you not, as regards composition?

Mr. Schele.—I don't think we have made much headway in that direction if you compare our matches now and those we turned out in 1924. I think there is no improvement in the quality and of course when we work double shift we get an inferior quality because in the small hours of the morning particularly during the monsoon the moisture is terrible and one could not dry the matches nor could one supervise the manufacture sufficiently.

President.—Supposing you had to manufacture a special class of matches in this country you need not work two shifts?

Mr. Schele.—I merely mention that as a point of interest and that is why I consider the double shift as very unsuitable for this country.

Dr. Matthai.—Do you mean the atmospheric conditions in the night are bad?

Mr. Schele.—Yes, and also the men collapse in the early hours of the morning. You cannot keep them awake.

Mr. Mathias.—But surely the matches you manufacture out here are good enough for all practical purposes?

Mr. Schele.—Exactly, but I was asked by the President whether we could make as good matches here as in Sweden and as head of this organization out here I would not say that they are quite as good. I am afraid I cannot say it.

Mr. Mathias.—You can light as many cigarettes from a Wimco match as you could from a Swedish match, could you not?

Mr. Schele.—Yes.

Mr. Mathias.—So that it is good enough for all practical purposes?

Mr. Schele.—Yes, if you take that point I fully agree with you.

Dr. Matthai.—Is there any other feature of the match trade which is sensitive to climatic conditions in which the Indian situation might make a difference? What about glowing or impregnation?

Mr. Schele.—None except the storage of wood and of course the difficult working conditions during the hot weather. For instance in Calcutta during the hot weather our capacity is reduced considerably. The workmen get slack.

President.—We were told there was no industry in the world in which the climatic conditions mattered so much as in the Tinplate industry and we found that there was not much in it—it was merely a matter of building your factories in such a way that the workmen could keep working under more comfortable conditions. At Jamshedpur for instance they worked quite well at a temperature of 120 degrees.

Mr. Schele.—If I could see those works I would be very glad.

President.—I would strongly advise you to visit the Tinplate works and see what they are doing there, or the sheet mill of the Tata Iron and Steel Company at Jamshedpur.

Mr. Schele.—I will do that.

Mr. Mathias.—You have not got any system of pumping cold air into your factories during the hot weather as they have got in the steel factories?

Mr. Schele.—No. Is that what they are now doing at Tatas?

Mr. Mathias.—Yes.

Revenue.

President.—There are many points of general interest raised in this communication of ours and I should like to have your opinion on some of them. The first is as regards the Government revenue. I want to ask you a few questions about that. As you see, the Government revenue has been going down owing to the reduction in the imports of matches.

Mr. Schele.—Yes.

President.—As you know Government had levied a duty of Re. 1-8-0 per gross in 1922. In 1921 it was 12 annas, and it was raised in 1922 to Re. 1-8-0 in the hope that they would derive a certain revenue calculated on the demand of the country at that time. I think that was in round figures somewhere near 15 millions. That would have given them a revenue of about Rs. 2½ crores. This amount was never realized. Now, of course, the revenue is under a crore of rupees. Government also put on a duty on aspen and so on from which they derive a certain amount of revenue, but it is well under a crore, perhaps Rs. 75 lakhs, so that the Government revenue is short by Rs. 1½ crores from their anticipations.

The idea then was that the consumer would be willing to pay Re. 1-8-0 plus the import price whatever it was at that time.

Mr. Schele.—I have got the revenue figures for the first seven months and that is Rs. 36,59,386.

President.—Do you mean including the duty on aspen and chemicals?

Mr. Schele.—No. That is a small figure.

President.—It would be about 30 lakhs for the rest of the year.

Mr. Schele.—The last five months are not in the same proportion.

President.—We will say it is well below even Rs. 70 lakhs.

Mr. Schele.—That will probably be the highest figure.

President.—There is a big deficit from the Government point of view and it is our duty to consider how far Government might get a revenue out of matches. One of the proposals is that an excise duty might be levied. As you see, taking round figures you are getting a price of Re. 1-4-0 and we hear that the price by the dozen is somewhere near Re. 1-8-0 per gross. I don't know whether that is right or not. You may be able to tell us whether that is so. What is the price per dozen in the retail shops?

Mr. Schele.—It varies tremendously in different places.

President.—Would it be right to say that they get 2 annas or 2½ annas per dozen?

Mr. Schele.—3 annas a dozen.

President.—That is a pice per box?

Mr. Schele.—Yes.

President.—Would not there be some difference between the price per box and the price per dozen?

Mr. Schele.—There ought to be on the face of it.

President.—We have been told so, but the evidence I must say is very clear that you can buy a dozen for 2 annas and a gross at Re. 1-8-0.

Mr. Schele.—The trouble is that if I go to a shop they charge me 4 annas but if my servant goes to the same shop they charge him 3 annas.

Mr. Mathias.—They charge me 2½ annas for the Santa Crus matches.

Mr. Schele.—In that case you are lucky. That is why it is so difficult to say what the price really is.

President.—We cannot understand how they can be sold for 2 annas a dozen because you get Re. 1-4-0 a gross and then there are these other commissions.

Mr. Schele.—Has anybody said 2 annas a dozen?

President.—Most of the witnesses have said so.

Mr. Schele.—That is absurd.

President.—Most of them have said that this is the system in which the sales are conducted. It does not seem to me that they can sell at 2 annas a dozen.

Mr. Schele.—If you take 2 annas a dozen it comes to Re 1-8-0 per gross. Take Delhi which is one of our most important distributing centres up-country. I believe the freight to Delhi is between 3 and 4 annas a gross, and then there is cartage, so that you will probably get a price of Re. 1-10-0 to the wholesaler. There you have an instance where a price of 2 annas a dozen would mean a loss.

Mr. Mathias.—They said in the Bombay market, not in the Delhi market.

Mr. Schele.—Is that confined to the Bombay market?

President.—Supposing your gross selling price from Messrs. Forbes to the dealer, was Re. 1-6-0, from that the agent has got to get his commission and I suppose the retailer has got to get his.

Mr. Schele.—I think it is absurd. As you know, the panwalas have a very small turnover. I believe there are 5,000 panwalas in Bombay so that

they sell a maximum of half a gross each on an average. They cannot be satisfied with the profit they make by selling at 2 annas a dozen.

Mr. Mathias.—They don't sell by the dozen?

Mr. Schele.—No, but I am only taking it in that proportion.

President.—They sell at a pice each ordinarily?

Mr. Schele.—I believe they have to pay a license fee for being a bidiwala and then they have to pay a high rent for their small shop so that with the turnover of half a gross they must have very much profit.

President.—There is a difference between the retail price and your price of nearly one rupee, supposing a box is sold at a pice in the bazar?

Mr. Schele.—Or rather 14 annas a gross.

President.—If an excise duty of 6 annas was levied that would raise the price of the match to the consumer and Government would get this 6 annas a gross which goes now into somebody else's pocket. Do you agree with that view?

Mr. Schele.—I cannot express any opinion on that because it must necessarily be guess work. It depends on the circumstances and the mentality of the bidiwala.

President.—Supposing a duty of 6 annas was levied would you raise your price?

Mr. Schele.—You mean an excise duty of 6 annas only on local goods?

President.—Yes.

Mr. Schele.—I would naturally put it on to the consumer at once.

President.—Which consumer?

Mr. Schele.—The first one. To the first link in the chain we would raise our price immediately by 6 annas. We cannot afford to pay anything out of our pockets.

Dr. Matthai.—That is to say 6 annas to the wholesaler?

Mr. Schele.—Yes.

President.—Supposing matches are sold at a pice a box now by the panwala, will he still be able to sell at a pice per box or will the price have to go up in Bombay?

Mr. Schele.—That depends on the circumstances and the mentality of the bidiwala of which I know nothing. I have no means of finding that out.

Dr. Matthai.—It really comes to this: at present assume your wholesale price is Rs. 1-6-0 and single boxes are sold at one pice at the retail end, that is at the consumer's end a price of Rs. 2-4-0 per gross. For middlemen there is a profit of 14 annas. If you put an excise duty of 6 annas, you reduce that profit from 14 annas to 8 annas. On a margin of 8 annas to the middleman the retailer must still sell at the retail end at one pice. The point is this. The fact that there is a difference is not a question of sentiment it is really a question of the monetary unit.

Mr. Schele.—Yes.

Dr. Matthai.—If you reduce it from 14 annas to 8 annas, you might still, on account of the monetary unit, have this difference. Supposing, for example, the panwala put up the price, you get competition straightaway among the retailers. Therefore his price would again be brought down to a limit determined by the monetary unit, provided he gets a fair profit. At present competition does not work because the monetary unit sets the limit.

Mr. Schele.—After all local matches have not sold at one pice very long. It is only since last year; before that they sold at 2 boxes for 3 pice.

President.—What was your wholesale price at that time?

Mr. Schele.—Rs. 1-14-0.

President.—Practically you really took the difference. That 10 annas you took extra?

Mr. Schele.—Their price was Rs. 3-6-0. They were not satisfied apparently with a profit of the difference between Rs. 2-4-0 and Rs. 1-14-0 because at that time all these 5,000 biriwalas were selling at Rs. 3-6-0. Somehow they must have felt the same all of them. That is why it is impossible for an outsider to say when you come to the point when all these men will think the same.

President.—What is suggested is this. Supposing to-day an excise duty of 10 annas was levied which put up the price to Rs. 1-14-0, then matches would sell at that price at which they were selling when your price was Rs. 1-14-0. Would that be right?

Mr. Schele.—When you speak of Rs. 1-4-0 you have not included any profit or anything.

President.—I am talking in round figures. Rs. 1-4-10½ is your price just now. Assuming that that was your fair selling price, if it went up by roughly 10 annas that would bring it up to Rs. 1-14-0 at which price you were selling. In those days the retail price you say was Rs. 3-6-0. Supposing an excise duty of 10 annas was levied, the fair selling price being Rs. 1-4-0 you get to the same position as when you were selling at Rs. 1-14-0.

Mr. Schele.—Yes.

President.—If an excise duty of 10 annas was levied would you increase your price by more than 10 annas?

Mr. Schele.—No, because there again you don't get the same co-operation between manufacturers as you have between the panwallas. If we increased our price by more than ten annas we won't be able to sell our production.

Dr. Matthai.—The excise duty would practically form part of your cost, that is really what it comes to?

Mr. Schele.—Yes, that has to be added automatically.

President.—Even if the excise duty were raised by 6 annas the retailer or the middleman will pocket the difference of 4 annas. The price may rise to the same extent as if the price had increased by ten annas.

Mr. Schele.—One never knows.

President.—There is a pice and the next higher unit is 4 pies so that if the price was to be increased, it would be increased at least by one pie or 1½ pies.

Mr. Schele.—You mean 4½ pies.

President.—Yes.

Mr. Schele.—That is the practical way of selling.

President.—If the Government did levy this excise duty and if the present method of selling matches continued, then the amount of excise duty would be such as would permit of matches being sold at 4½ pies. That would be about 10 or 12 annas.

Mr. Schele.—Where would you be upcountry then with the high freights?

President.—Upcountry prices may rise proportionately.

Mr. Schele.—Would it not be then higher than even 4½ pies?

President.—The next one would be 2 pice.

Mr. Schele.—That is Rs. 4-8-0 a gross.

President.—You have to fix a figure which would give Government the revenue that it wants and at the same time see that any part of the excise duty does not unnecessarily go into the pockets of some middlemen. That is the scheme which we have been in search of if we are to levy an excise duty and we wish to know from you what excise duty would give that result?

Mr. Schele.—I think that we are confronted there with a tremendous difficulty. I would not like to say anything off hand, because I may be wrong. That has to be borne out by practice.

Mr. Mathias.—The figure would vary according to the price of matches. If an excise has been imposed so as to eliminate excessive profit to the middle-

man and you then decide to lower your prices, the middleman might again increase his profit.

Mr. Schele.—Yes, it would mean that prices would fluctuate.

Mr. Mathias.—That is another uncertainty?

Mr. Schele.—Yes.

Dr. Matthai.—You do admit that with a wholesale price of Rs. 1-6-0 and a retail price of Rs. 2-4-0, there is really a very big profit for the middlemen, don't you?

Mr. Schele.—I would not like to express an opinion, because, as I said, these panwallas have got a very small turnover and have got high expenses. They have their license fees, high rents for their small shops, etc.

President.—They don't sell matches alone?

Mr. Schele.—No, but taking the turnover as a whole it is a business where a high profit is needed. That is the impression I have got but I have not studied it.

President.—What would happen, is this, supposing the profit was reduced by any scheme you might have either fewer shops dealing exclusively in matches or in matches along with other articles, (the same as you have in Europe, either a tobacconist selling matches along with tobacco) or a grocer selling matches by the dozen.

Mr. Mathias.—Or a general increase in the price of biris to compensate the loss on matches.

President.—Yes, but then according to you there is no escape, whatever duty Government proposes, from the position that some middlemen must pocket part of the excise duty which is intended for Government.

Mr. Schele.—Yes, in my opinion you have to leave things to work themselves out in accordance with the ordinary economic laws.

Dr. Matthai.—Supposing as a result of further reduction in your works costs your wholesale price becomes Rs. 1-4-0 instead of Rs. 1-6-0, then it is not worth while, from the point of view of the consumer, for you to reduce your wholesale price because it simply means increasing the middlemen's profit.

Mr. Schele.—Our price policy would of course be entirely guided by other factories' price policy independent of all these other considerations. If we could get higher prices, we would get them.

Dr. Matthai.—What I was thinking of was this. Supposing you are able to reduce your costs further, that would not help the consumer, would it?

Mr. Schele.—No, unless you work it out somehow in the later stages in such a way that the final retail price becomes different.

President.—What would happen is that the consumer can never get the benefit of a reduction in your costs: either you take it or it is taken by the middlemen.

Mr. Schele.—Not at the present price level.

President.—But at other price levels?

Mr. Schele.—Supposing we had Rs. 1-14-0.....

President.—You had Rs. 2-3-0 at one time.

Mr. Schele.—I am speaking really of more normal conditions. We had Rs. 1-14-0 last year, and the consumer paid Rs. 3-6-0. To-day we have Rs. 1-6-0 and the consumer pays Rs. 2-4-0. That is an instance where a reduction in our rates has immediately benefited the consumer.

Mr. Mathias.—As a matter of fact, even with one pice as the lowest coin, you can sell two boxes for one pice or 3 boxes for 2 pice. Do you attribute any real importance to this minimum monetary limit of one pice. It is always possible to vary the number of boxes? You can sell 3 boxes for 2 pice or 4 boxes for 2 pice if the costs become lower?

Mr. Schele.—If you take the ordinary raiyat he cannot afford to buy three boxes at the same time.

Mr. Mathias.—He would pay only 1½ pice for three boxes. He would prefer to have that rather than have one box for one pice.

Mr. Schele.—That comes to Rs. 1-4-0 a dozen. That is out of the question now. I don't think that you can get down below the present figures.

President.—In 1924, I think your price was still higher. I think it was Rs. 2-7-0.

Mr. Schele.—The highest price for half size was Rs. 2-3-0 and then we got Rs. 2 shortly afterwards.

President.—Supposing we want to restore the position from the point of view of Government and bring your selling price from Rs. 1-4-0 to Rs. 2-4-0, then the price to the consumer would be what it was at that time, namely Rs. 3-6-0 a gross?

Mr. Schele.—Yes, if the retailers react in the same way, it would be so. That is going by the probabilities.

President.—Just now the margin is 14 annas. If you were to leave a margin of 14 annas, you have got to deduct 14 annas from Rs. 3-6-0 that leaves Rs. 2-8-0. Government can then, in order to maintain the same difference, take the difference between Rs. 2-8-0 and your fair selling price without disturbing the price.

Mr. Schele.—Yes, provided that the retailer was willing to take 14 annas. Apparently in those days, he took Rs. 1-2-0. Then again of course you get the difficulties of these different freights upcountry.

President.—In those days they probably sold at 2 pice per box.

Mr. Schele.—Yes, they sold at Rs. 4-8-0 per gross.

President.—The same thing might happen now if the wholesale price was Rs. 2-8-0.

Mr. Mathias.—Whatever arrangements you may make on the Bombay side or for Calcutta or for any particular area, in some other part of India there will probably be an excessive margin of profit for the retailer.

Mr. Schele.—It would work out altogether differently. You said the difference between Rs. 3-6-0 and Rs. 2-8-0, i.e., 14 annas might be enough but somebody up in Simla, Muttra, or Cawnpore may raise the whole thing to Rs. 4-8-0 and make a tremendous profit.

President.—When they increased the duty by 15 per cent. on all luxuries, prices went up by 30 per cent.

Mr. Mathias.—I saw in the paper the other day that in the Finance Member's conference the question of an excise duty on tobacco was considered. If that was to happen, the biri sellers might find that they were making less profit on biris, and for the time being they might put up the prices of matches.

Mr. Schele.—Yes, that is another uncertainty.

Mr. Mathias.—Do you think that we can go into this question of attempting to arrive at what the effect of any excise duty we may propose would be on the ultimate consumer. Would you advise us to undertake any sort of enquiry into this? Do you consider it practicable to undertake any such enquiry?

Mr. Schele.—I consider it impossible to arrive at a definite conclusion as to what the ultimate effect of any excise would be on the consumer of a single box of matches. It is very easy to say for people who have no responsibility that 6 annas would be all right or one rupee would be all right.

Mr. Mathias.—This margin depends on the standard of living, I take it.

Mr. Schele.—Yes. For instance, I saw the other day in your examination there was somebody giving evidence. You asked "how much excise can we put on local matches"—"can we put 6 annas", and he said "yes; but you can't go further than 10 annas". Then you turned to our poor imported matches and asked "how far can I go there; can we reduce the profit of the middlemen to six annas" and he said "yes" and then you suggested four

annas, to which also he agreed. In fact he agreed to everything when it concerned imported matches. That shows how irresponsible people are.

President.—That is a very difficult question and no one can give a precise answer to that.

Mr. Schele.—I am completely baffled by it myself.

President.—We can look at the situation as it was when your wholesale price of foreign matches was Rs. 2-4-0 and when the duty of Rs. 1-8-0 was put on you must have increased your price by the precise amount at the beginning.

Mr. Schele.—As a matter of fact, we did not do it. We sold in those days c.i.f. India and the importer paid the duty of Rs. 1-8-0 to the Customs Department and naturally had to tag it on at once.

President.—But the price was the same as now, practically 1s. 8d. was it not? Your c.i.f. price is now 1s. 7-2d.

Mr. Schele.—That is full size.

President.—Take the half size. We had better deal with half size. It was 1s. 4d. in 1922, was it not?

Mr. Schele.—Yes.

President.—On top of that 1s. 4d. or 13 annas 8 pies, you would add 4d.

Mr. Schele.—In those days a penny was equal to one anna.

President.—4d. would be equal to 4 annas. That sent up your wholesale price to Rs. 1-1-8.

Mr. Schele.—Yes.

President.—On top of that, there was a duty of Rs. 1-8-0, and the total came to Rs. 2-9-8. At any rate at that time if there had been no local production, your matches would have sold for Rs. 2-9-8, or something like that with the duty paid.

Mr. Schele.—Yes, plus the dealer's commission. I see there is a dealer present here and he may give you the information.

President.—What was the price at that time, Mr. Lalubhai?

Mr. Lalubhai.—At first these matches came out in small quantities and the price for half size was Rs. 2-11-0 to Rs. 2-12-0, and then there was a reduction of 2 annas subsequently.

President.—At that time in the market they were selling at Rs. 3-6-0.

Mr. Lalubhai.—Each box was sold for half an anna because it was a new size. After six months it was sold at 2 boxes for 3 pice.

President.—If you put up the wholesale price at Rs. 2-4-0 they would probably sell at Rs. 3-6-0 but if you carried it beyond Rs. 2-4-0 they would probably sell at Rs. 4-8-0. That is what it appears would happen on these figures, that being the next denomination.

Mr. Schele.—Yes, half an anna. It may make all the difference. The scales may be just equal and if you add on a little more, it might push the price up to Rs. 4-8-0.

Excise labels.

President.—As regards the method of levying an excise duty, have you got any views?

Mr. Schele.—From experience in other countries, I think that the best way is to do it with stamps.

President.—That is done in some countries.

Mr. Schele.—In England they have manufacture in bond,

President.—Where there is no manufacture in bond?

Mr. Schele.—They do it with stamps always.

President.—The stamps go round the boxes, I suppose.

Mr. Schele.—Yes. The advantage of having this is that you cannot take it off one box and put it on another.

President.—In those countries where there is a system of stamps, are the labels put on by the Swedish Match Company?

Mr. Schele.—We do it for them in Sweden, in our factory.

Dr. Matthai.—Is it ever done in the country of import?

Mr. Schele.—I suppose so.

Dr. Matthai.—Are you sure?

Mr. Schele.—I would like to look into that.

President.—Where are the import duty paid labels put on?

Mr. Schele.—In Sweden.

President.—Do you manufacture these bands yourselves or do you buy them.

Mr. Schele.—We simply buy them. Either you buy them and put them on or you pay the duty.

President.—If there is an excise duty, it is added to the import duty.

Mr. Schele.—May be, or the excise duty is paid when the goods enter. But the labels are put on at the time of manufacture.

Dr. Matthai.—Have you any specific information of a country where matches are imported and then after landing the stamps are put on in bond before they are distributed to the wholesalers?

Mr. Schele.—That is not done anywhere because that is an impossibility.

Dr. Matthai.—That is what I wanted to know. Would it be a feasible thing at all?

Mr. Schele.—Altogether impossible.

President.—We were told that if we were to allow those stamps to be put on in the country of origin there might be forgeries of stamps and so on. Do you think that is a serious danger? Have you come across any cases of forgery of this sort of stamps?

Mr. Schele.—You could keep a certain check on that by seeing that the stamps are bought here and then taken to the country of manufacture. You could always see how the number of stamps bought in India agreed with the quantities imported.

Dr. Matthai.—That is very difficult to check, is it not?

Mr. Schele.—If they bought more stamps than were being imported you would always be on the safe side.

President.—We were told, for instance, that a man who imports matches into India does not really know who the manufacturer is. He simply buys from a London house and therefore any matches may be sold to a London house with forged labels and this man may import them without knowing that these stamps are forged. Can such a thing happen?

Mr. Schele.—Yes, I suppose so. Everything is possible.

Dr. Matthai.—In the papers a few years ago there was a report of a huge case of forged match stamps in Germany. Supposing we had all those stamps pasted in the country of export and there was a forgery of that kind it would be exceedingly difficult for the authorities in India to trace a forgery that has been taken place in some other country.

Mr. Schele.—Yes, but could it not be possible not to put any stamps on imported matches but only having the manufacturer's name on them and then paying the duty when the goods are being landed in hard cash as we do to-day? That seems to me to be the simplest way.

President.—One objection to that is that it may be all right as regards British India but supposing you sent matches to places which are not strictly within British India where no duty is charged and then they came to British India they might say "those are imported matches on which duty has already been paid".

Mr. Schele.—How could they come into British India?

President.—Supposing they came?

Mr. Schele.—That possibility is remote if not impossible.

President.—Oh no! It is not at all impossible.

Mr. Schele.—Do you mean by smuggling?

President.—No, not by smuggling at all; they can come in the ordinary way.

Mr. Schele.—If we ship to Bombay the duty will always be taken by the Customs when we land the goods or the goods would be in a bonded godown.

Dr. Matthai.—Supposing the goods were imported at an Indian State port?

Mr. Schele.—We send to Goa but as far as we are aware there is no smuggling from Goa.

Dr. Matthai.—Who says it?

Mr. Schele.—We know it. The customs barrier down there is most efficient.

Dr. Matthai.—It is a small Customs line.

Mr. Schele.—You can check the import into Goa with the population and see whether the consumption is normal.

President.—Are there any countries from which matches could come into India except from Sweden?

Mr. Schele.—Yes, from Czechoslovakia, Norway, Japan, Russia, Finland and Poland.

President.—As regards Czechoslovakia is there not some sort of working arrangement with the Swedish Match Trust?

Mr. Schele.—We sell part of their production, but Russia is independent, so is Finland.

President.—At present Russia is the only country with whom you have not got any arrangement.

Mr. Schele.—Finland also is independent.

President.—Is it independent of the Swedish Match Company?

Mr. Schele.—Yes, and Japan is on the whole independent. We have got, as you know, a big combine there but that does not comprise all the factories.

President.—So that if there was a system of labelling imported matches there is a real risk of the stamps being forged in some other countries?

Mr. Schele.—There is always that possibility.

Mr. Mathias.—Suppose that imported matches were to pay a high rate of duty in British India and were shipped to an Indian State which had a smaller rate of import duty, for nominal consumption in the State, and were taken over by the local factories who purchased these labels and put them on and sent the matches out to British India?

Mr. Schele.—Then we have the Swedish labels with our name on.

Mr. Mathias.—Do you think that would be sufficient?

Mr. Schele.—Yes.

Mr. Mathias.—I am not talking of your firm in particular. As you say there are other firms. These labels need not necessarily be put on matches imported into foreign ports such as Goa or the Kathiawar ports. Their local arrangements may be such as to allow matches in duty free.

Mr. Schele.—That would mean a very great difference between the excise duty and the import duty.

Mr. Mathias.—There would be, would there not, normally?

Mr. Schele.—To-day the duty is more than 200 per cent. and matters can hardly continue with this big difference.

Mr. Mathias.—Supposing for the sake of argument the present position was to continue and there was a difference of Rs. 1-8-0 between the excise duty and the import duty?

Mr. Schele.—If one goes to extremes extreme things will happen!

Mr. Mathias.—It might in that case be a serious danger, might it not?

Mr. Schele.—Say an Indian State buys at 1 shilling, that is 10 annas 8 pies; then you have the excise and no duty in the State at all. Then the local manufacturer there would put on his own label which will cost him a certain amount, say 2 annas.

Mr. Mathias.—Hardly that.

Mr. Schele.—It means unpacking and difficulties like that. That comes to 12 annas 8 pies and then there is the excise duty of say 8 annas, thus it will cost him Rs. 1-4-8.

Mr. Mathias.—Then his additional profit will be the difference between the price at which he can land the matches in the country and the price at which he can dispose them of.

Mr. Schele.—Yes.

Mr. Mathias.—That might be a considerable amount.

Mr. Schele.—Yes.

Mr. Mathias.—That would be an inducement for him to send matches across the frontier.

Mr. Schele.—Then again you get to the position that you can import ready made boxes and splints to-day through the Indian States. They don't do it.

President.—Supposing they started manufacturing matches in the States themselves?

Mr. Schele.—There is always the difficulty with the excise whether these Indian States will abide by the Government of India orders or not.

President.—It matters little if they manufacture matches for their own use but supposing these matches begin to come to British India?

Mr. Schele.—That is the greatest difficulty with the excise. What are the Indian States going to do?

President.—For that reason it would be simpler if the label were put on both for Customs as well as for excise.

Mr. Schele.—That would be the same because they could not make imported labels.

President.—No, they could not make imported labels but they could import matches and sell them in the country by putting on the excise label simply, can they not?

Mr. Schele.—They can do that in any case.

President.—But if they had to put on import labels?

Mr. Schele.—The State will never do that in any case.

President.—In that case we will not allow any matches to come into British India unless they bear labels. The position becomes simple if there are no matches sold without labels.

Mr. Schele.—I don't think so.

President.—Any evasion would be easy of detection.

Mr. Schele.—It might lead to imitation of import labels. You must make that a penal offence.

Mr. Mathias.—It is a penal offence now.

Mr. Schele.—Certainly not if you see what is going on with regard to imitations of our labels.

Mr. Mathias.—If they stood to make Rs. 1-8-0 a gross on imported matches it might be worth someone's while to take a chance and imitate your labels.

Mr. Schele.—Not if you make the fine very heavy.

Mr. Mathias.—They might make an exact forgery which might be very difficult to detect.

Mr. Schele.—It would be in our interest to be on the look out and find that out.

Mr. Mathias.—At present they only stand to make a certain amount out of your good name and reputation in the market; if they stood to make Rs. 1-8-0 the inducement to forge your labels would be very much bigger.

Mr. Schele.—That is why the fine must be very much higher.

Mr. Mathias.—Three months successful working might set up a man for the rest of his life;

Mr. Schele.—Not if he is put into prison for sometime.

President.—If they can imitate the labels they can forge stamps as well. That really clinches the question. If there is an imitation of the labels there is no reason why there should not be an imitation of stamps outside India.

Mr. Schele.—You have very great difficulty in this country at present to get your rights in any trade mark dispute. You know the case we had in Rangoon.

President.—The forgery of a Government stamp is a much greater offence than the forgery of a label.

Mr. Schele.—So I say if you make it a penal offence to forge these labels?

President.—It is a penal offence to forge any Government documents.

Mr. Schele.—It would be a private firm's label.

Mr. Mathias.—There is a section in the penal code to cover that.

Mr. Schele.—It is a very difficult to get your rights under that section.

President.—If a revenue stamp was put on it would be a Government stamp.

Mr. Schele.—That would be all right. I was trying to find out a way that would not involve such hardship to the manufacturer outside India—this is really pleading my own case in a way—in bringing the labels all the way from here to the country of manufacture.

President.—The point is this, either we depend upon all the foreign manufacturers using genuine stamps or we insist upon their putting on stamps here in bond.

Mr. Schele.—Which is of course equivalent to prohibition of imports. There is no doubt about that.

President.—Or we can say every manufacturer may be registered and be compelled to buy stamps from British Indian authorities.

Mr. Schele.—That is what I suggest.

President.—But then there is the question of forgery.

Mr. Schele.—If you compare the number of stamps bought with the quantity of matches that arrived in India from certain firms you could easily check that.

President.—We were told that you cannot trace the country of origin when matches are bought in London.

Mr. Schele.—You have the manufacturer's name. All our matches bear the mark "Made in Sweden" and you have to declare the country of origin before you are allowed to land them in India.

Mr. Mathias.—It would require a special staff to check the matches imported into India with the labels sold.

Mr. Schele.—I think it could be fairly easily done from your point of view but it would be a hardship to buy the labels here and have the money locked up.

Mr. Mathias.—Some sort of supervision is necessary. You must have some department responsible for seeing that the number of boxes imported correspond to the number of labels sold.

Mr. Schele.—Why not make it a duty.

Mr. Mathias.—What do you mean by duty?

Mr. Schele.—Eliminate the interest for the manufacturer to forge the labels by simply stating that all matches imported into British India must

bear a label of a certain type which you prescribe; still they must pay the duty of Rs. 1-8-0 all the same.

Mr. Mathias.—That label can be forged?

Mr. Schele.—There is no inducement to forge.

Mr. Mathias.—Mr. Schele, before lunch you were suggesting that a system of labelling for imported goods should be adopted by which the import duty was paid at the port but the goods were labelled with some kind of label, whether bought from Government or otherwise, and by that means the excise officers in this country would be able to check whether the import duty had been paid or not. Have you considered the difficulty which would arise possibly in the Indian States. For instance, it would be possible for a factory in an Indian State to manufacture these labels themselves, place them on their boxes and then import them into British India as though they were foreign goods.

Mr. Schele.—That is the same difficulty of course as it exists now. Matches may be smuggled through Native States.

Mr. Mathias.—If every Indian manufacturer was paying eight annas excise duty, then any one who cared to establish a factory say in Hyderabad could place labels similar to the labels placed on imported goods, say Swedish matches and if he imported those matches into British India, he would be able to undersell his competitors in British India by the amount of the excise duty. That would be a very big inducement.

Mr. Schele.—Yes, but he could not make matches equal to imported matches.

Mr. Mathias.—No, but he would compete with the Indian manufactured goods.

Mr. Schele.—He can do that in any case, can't he?

Mr. Mathias.—He has no inducement because there is no excise.

Mr. Schele.—If you levy an excise duty in British India there is always the risk of a factory in the Indian States sending out goods into British India.

Mr. Mathias.—It is a very big risk.

Mr. Schele.—Yes.

Mr. Mathias.—It may affect the local manufacturers very adversely.

Mr. Schele.—That certainly is a drawback with the excise and it depends on how much hold the Government of India have on these Indian States.

Mr. Mathias.—Could you suggest any method by which this might be avoided? So far as I can follow your suggestions, they meet one difficulty but the difficulty of fraudulent labelling is only shifted from one locality to another.

Mr. Schele.—But that would be forgery if you got them from the Native States.

Mr. Mathias.—Yes, but it would be very difficult to prevent.

Mr. Schele.—It depends on the efficiency of the Customs barrier.

President.—Now you must remember that the Indian States are scattered all over India. Take for instance Hyderabad. It has got a tremendous land frontier. You could not, supposing factories were established there, possibly stop matches coming from the States by land into India.

Dr. Matthai.—This particular difficulty would only arise from the maritime States.

President.—No.

Dr. Matthai.—As regards this question of getting imported matches without duty and passing them on to British India, Mr. Schele, your idea is that the manufacturer's name must appear on imported matches.

Mr. Schele.—Yes.

Mr. Mathias.—I think you suggested that some special labels should be devised by Government which the manufacturers abroad would place on their boxes but for which they would not pay any Customs duty, the duty being levied by way of Customs duty.

Mr. Schele.—Yes, thereby eliminating the temptation for the manufacturer to defraud.

Mr. Mathias.—Do you mean the manufacturers in European countries?

Mr. Schele.—Yes.

Mr. Mathias.—My point is that it would be effective in that direction but would transfer the possibility of fraud from European territories to the Indian State territories.

Mr. Schele.—Yes. I don't see how you can ever get away from that. In that case you really come to the same position as if you are trying to have one rule for the whole European continent with all its different states—that would be an impossibility.

Mr. Mathias.—Exactly it is a matter which must be taken into consideration. It is a definite disadvantage to any system of labelling.

Mr. Schele.—It is a disadvantage in all systems that would increase prices.

Mr. Mathias.—The special conditions in India are such that a system of pasting excise labels or other labels on to boxes which may be suitable for European States is not necessarily suitable for India.

Mr. Schele.—No. Any step that causes the prices of Indian matches to exceed the normal manufacturing cost *plus* the normal profit must create this difficulty here.

Mr. Mathias.—But there are special circumstances which do not exist elsewhere.

Mr. Schele.—These frontiers are practically impossible to control as far as I can see.

Dr. Matthai.—The particular difficulty in this case is that there is a very strong inducement for forgery because the duty happens to be a very high duty.

Mr. Schele.—Any system which raises the price above the normal manufacturing cost *plus* the normal profit is bound to create this difficulty. Even if you have a monopoly you would have the same difficulty.

Mr. Mathias.—The special difficulty in India is that the British Indian territory is adjacent to a number of independent or semi-independent States.

Mr. Schele.—Yes, and of course it is much easier in Europe to supervise the frontiers than here.

Dr. Matthai.—We were told last week that there was no difficulty with regard to the cotton excise because the duty was only 3½ per cent. It was not worth anybody's while to smuggle the goods through.

Mr. Schele.—Say, for instance the price of local matches in India somehow becomes Rs. 2. If, I put up a factory in Hyderabad and make my matches at Rs. 1-4-0 a gross, nothing could theoretically prevent these matches from penetrating into India.

Possible economies.

President.—I want your opinion on some of the other points. Just now there are three or four circumstances connected with the manufacture of matches which do not appear to be very satisfactory. The first is that there is competition amongst the various makers of matches which is uneconomic, that is to say there is this competition by means of the different labels, new labels being pushed into the market in competition against old established labels. It necessarily means that either they make inferior quality of matches and undersell better makes or give more and more commission to the middlemen or in any case that competition may be regarded

as uneconomic. Secondly, there is this question of the middlemen. There is a big bridge between the price that you get and the price at which the retail consumer gets his matches—we will put it that way. Then there is the question of the wood supply. At present there is nobody I mean particularly interested in undertaking research for instance or undertaking plantation or taking other steps by which Indian wood can be made easily available. Then there are one or two factors connected with yourselves. It has been suggested that you may, in course of time by your cheaper cost of production or by competition, obtain a monopoly for yourselves or you may combine with other Indian manufacturers and make a monopoly which may belong to yourselves as well as to the Indian manufacturers jointly, the result of which may be that though you may not raise the prices beyond the level which would again create competition you may raise it sufficiently high to make a big profit. Then, there are various alternatives by which we might get over these difficulties. The first is the concentration of manufacture and sale in a single authority, and a sort of regulated monopoly. The idea would be that the whole thing shall be concentrated as I say in a single agency. Now we will first take up the points which are applicable to any kind of monopoly—either this kind of monopoly or a Government monopoly or a private monopoly—but under one single agency. We will discuss that point first, one single agency first of all as regards manufacture. If there was to be such an agency it might lead to economies in various directions, might it not?

Mr. Schele.—Yes.

President.—The first thing of course would be the standardisation of matches.

Mr. Schele.—Yes.

President.—That is to say, we will have only two kinds of matches half size and full size—one label simply manufactured by that agency 'safety matches', and not manufactured by anybody else. I asked you to work out a statement to show what economies would be possible if that was done. Have you been able to look into it?

Mr. Schele.—Here is a calculation (handed in) which is theoretical. Some of these things are not practicable. The total saving would be Rs. 3½ per case of 50 gross. As regards frictioning, I have suggested only one side, but I would not advise that because it would not last sufficiently. Then again if you have no gross paper, transport and sales will be difficult.

President.—There must be impregnation which you can't do without.

Mr. Schele.—This is really an endeavour to put down all the possibilities and you can then eliminate those that are impracticable.

President.—According to these figures the economy would come to about one anna per gross.

Mr. Schele.—Yes, if you do all these things, but then I would eliminate one side frictioning only—that is Re. 0·4; gross paper one ought to have in this country and that is Re. 0·33.

President.—What do you mean by 'no gross paper'? Do you mean no packing at all?

Mr. Schele.—Only dozen packeting and not gross packeting. This is just taking into account all the possibilities. No impregnation—you don't agree to that. That is Re. 0·23, the total being Re. 0·96. Rs. 2½ I should say would be the practical saving.

Dr. Matthai.—If you had no label, you would have something else in its place.

Mr. Schele.—The paper would go round the box.

Dr. Matthai.—There must be some printing on the paper in place of the label.

Mr. Schele.—The other day I understood that there was no necessity for that when the President asked me to work this out.

Dr. Matthai.—You have to say 'manufactured by the Western India Match Company'.

Mr. Schele.—I don't believe in these economies at all but you suggested that the other day as a possibility and this is the extreme. I have put down all the possibilities in my statement.

President.—We cannot go into all the details just now but it will lead to some economy—about 9 pies or so.

Mr. Schele.—Yes, just a small saving.

President.—Now let us take the actual manufacture. I was just now mentioning to you that some of the competition you have to-day is uneconomic and that it would be better if the manufacture were concentrated in a few factories.

Mr. Schele.—Yes, that is what we have to-day.

Dr. Matthai.—If it was a question of not having no labels but reducing the number of labels to one or two kinds of a municipality of labels as at present, that might be a feasible proposition—that might not affect the get up of the matches? Could you form any rough idea of the economies possible? If you have two labels instead of say 50 that you have now, that reduces your printing charges and things of that kind, does it not?

Mr. Schele.—I don't think so because our orders for labels are even now so large that we get the maximum benefit of a high supply.

Dr. Matthai.—Are you talking of the Swedish Match Company?

Mr. Schele.—Yes.

Dr. Matthai.—If you had a factory in India which had, say, about 25 different labels, obviously the cost of labels would be considerably greater than if they had only one or two labels?

Mr. Schele.—Not if the factory is sufficiently large, because when you order a thing for printing, if you order 1,000 copies you get one price and then you go up to one lakh for instance you get the lowest price, but if after that you order 5 lakhs of copies you don't get any reduction. My contention is that we have reached the maximum reduction in printing cost even now.

Dr. Matthai.—If you take a moderate sized factory producing 25 cases a day, it would make a difference, would it not?

Mr. Schele.—That would be economical for a small factory but in our case I don't think there would be any difference.

Dr. Matthai.—Supposing that was all that was suggested and nothing else the economy would be very little I suppose?

Mr. Schele.—Yes.

Mr. Mathias.—But there would be further economy if you abolish the colour in the labels, that is to say if you use plain labels with WIMCO printed on it?

Mr. Schele.—Yes.

President.—I was talking of the concentration of manufacture. Just now there are quite a large number of factories—about 9 on this side and about three or four big ones on the Calcutta side and a number of smaller factories—and then one or two in Upper India, and one or two in Burma. If instead of that you were given a monopoly of manufacture would you keep all the factories?

Mr. Schele.—No.

President.—What would you do then?

Mr. Schele.—We would concentrate manufacture at some suitable centres.

President.—One suitable centre would be Bombay, would it not?

Mr. Schele.—That I cannot say. I think that is a question which should be very carefully gone into. One of the drawbacks of the Indian match industry to-day is that neither we nor anybody else have had

sufficient time to investigate these matters before factories were started.

President.—Supposing we kept one factory in Bombay?

Mr. Schele.—We have one already as you know.

President.—And one natural centre will be Calcutta?

Mr. Schele.—Yes.

President.—And another Burma?

Mr. Schele.—Yes.

President.—Then there are two or three other points of which one will be Madras.

Mr. Schele.—That is out of the question; we can eliminate that at once. Madras and Karachi are hopeless.

President.—There may be one perhaps in Upper India?

Mr. Schele.—Yes.

President.—The way I want to look at it is this. Supposing we had this single agency and we came to the conclusion that there was room in this country, or two qualities of matches say, one like your Swedish matches made entirely out of aspen, and another made out of Indian wood, in such a case would it not be better to concentrate the manufacture of the superior classes of matches in those areas where Indian wood was not available in large quantities such as Bombay and to have factories in those areas for Indian wood made matches where Indian wood might be easily obtained.

Mr. Schele.—Yes.

President.—In that case Calcutta and Rangoon would probably be suitable places and possibly one somewhere in Upper India.

Mr. Schele.—Yes.

President.—So that if there is a monopoly the better quality of matches would be sold at such prices as would give a higher return without affecting the demand, so far as better quality matches are concerned. On the other hand, the cheaper quality matches may be sold in those markets where there is a real demand for them instead of allowing the two to compete against each other.

Mr. Schele.—Yes.

President.—Would that be more economical than the method of manufacture that you have here just now. You have got three things. You have got the imported match which is made entirely of aspen; then you have got what you call your first quality match, that is aspen for splints and Indian wood for boxes and then there is the third quality where you use Indian wood for both. The idea would be to get rid of the one quality which is made of aspen splints and Indian wood boxes. Take the case of Bombay. You were telling us the other day that the wood is going up in price. Supposing there were no new sources of wood discovered for Bombay the result would be that gradually you may have to revert to aspen. Might it not be more economical for that reason therefore to make superior classes of matches here for instance and confine the manufacture of the others to other parts of India where Indian wood is more easily available.

Mr. Schele.—Not only economical but it would be necessary as far as I can see. If you leave the matter to free competition, then the third alternative—Indian wood for both splints and boxes—that is the third quality matches would naturally be made where Indian wood is available in sufficient quantities for both purposes. If you can't get wood in Bombay, you can't make them here.

President.—What happens now is that, owing to this competition between these two classes, quality is not maintained and the matches are dearer. Supposing it were a case of a Government monopoly, the Government income would also be smaller whereas in the other case Government can get whatever it can out of the consumer of the better class

matches and Government can also get something out of the consumer of the second quality matches.

Mr. Schele.—It is very difficult to avoid the second quality match eating into the first quality.

President.—That will depend upon the price.

Mr. Schele.—Yes. That has to be adjusted very carefully.

Dr. Matthai.—What precisely do you call first quality?

Mr. Schele.—Aspen for splints and Indian wood for boxes. There are three possibilities. First there are the imports.....

President.—Instead of that we say there should be no imports. We manufacture more or less the class of matches as are imported leaving aside the get up and so on. We say "all right in this country there is a demand for this class of matches and we have a factory in Bombay where they can be manufactured". What you call the first quality matches here to-day are made of aspen splints and Indian wood boxes.

Mr. Schele.—Yes.

President.—The manufacture of that, unless the situation as regards wood improves, is going to be more costly because the price of wood, according to you, is going up.

Mr. Schele.—Yes.

President.—Therefore why have the manufacture at all in Bombay if the result is going to be that in the end?

Mr. Schele.—Naturally that is a logical conclusion.

President.—Therefore it may be just as well not to manufacture that class of matches in Bombay.

Mr. Schele.—I fully agree there but the only difficulty is how is one going to prevent that, when matches are being sold, the second quality is eating into the first?

Dr. Matthai.—In the Bombay Presidency you get 4,000 tons of Indian wood a year. Supposing that was the position, is there any economy that you are going to achieve by not using the 4,000 tons of wood available in Bombay?

Mr. Schele.—Do you mean for boxes?

Dr. Matthai.—Yes.

Mr. Schele.—No, as long as the prices do not rise too high.

Dr. Matthai.—If you concentrate manufacture in Calcutta on matches of Indian wood, then necessarily the price of wood would go up in Calcutta. So that the economies that you can get here might be cancelled out by the expensive wood in Calcutta?

Mr. Schele.—Yes.

President.—If you are satisfied that there is a sufficient quantity of wood available in this part of India to make boxes out of then the question does not arise, but if it appears that there is not sufficient Indian wood to keep the price down, then I ask you would it not be cheaper not to use Indian wood at all for boxes and you can have your first class quality matches consisting of splints made out of aspen as well as boxes made out of aspen and do away with the imports altogether?

Mr. Schele.—I don't see how the imports affect that question at all.

President.—They do. We want the superior quality of matches to be manufactured in the country. We have not got the aspen here but there is a demand for a certain quantity of that kind. We say "All right, no imports but we will supply the consumer with that quality of matches made here".

Mr. Schele.—That is a question of protection as it is to-day. The Indian wood will be used as long as Indian wood is cheaper; when Indian wood automatically becomes as dear as aspen, aspen will be used.

Monopoly.

President.—Supposing you had an organization and we say we don't want any matches from Sweden: we want matches to be manufactured in this country. Then supposing we wanted you to undertake the supply of matches in India—if you were to supply these two qualities of matches, what would you do?

Mr. Schele.—I would like to go into that question carefully because it is rather a weighty issue. I cannot reply to a question like that right away. The idea is altogether new to me.

President.—As I say, if you had to supply matches for the whole country, what would you do: what sort of factories would you suggest, supposing you are given the right to manufacture for the Government?

Mr. Schele.—I would like to look into that question very carefully before I made any statement at all. I have never considered it. It is a very important matter.

President.—That is one of the points dealt with in this note.

Mr. Schele.—Yes, but you rule out the possibility and consequently it has not occupied my attention.

President.—Which possibility?

Mr. Schele.—The possibility of the Swedish Match Company doing that is ruled out on sentiment alone.

President.—We have not ruled out anything.

Mr. Schele.—You say "This however would mean that match manufacture would cease to be a national industry and on grounds of sentiment alone such a proposal affords no practical solution of the problem". That is a very definite statement.

President.—That is the argument put forward by other people.

Mr. Mathias.—We say in the last paragraph "In conclusion I am to explain that the Board has arrived at no conclusion as regards the various matters which form the subject of this letter and that any views which have been expressed must be regarded as illustrative only".

Mr. Schele.—The sentence that I read out just now is so definite that everybody will take this as representing the Board's opinion.

Mr. Mathias.—We have said definitely that the views expressed in the letter must be regarded as illustrative only.

President.—Supposing the Government and the country said "Never mind sentiment, we want the cheapest matches to be made in the country and we want to get the largest revenue we can" supposing you are given the right of manufacture are you not prepared to advise us as to what you would do?

Mr. Schele.—If something definite is put forward then I will pass it on to my Head Office.

President.—We cannot make any definite proposal. We want to consider what proposal we should make. For that reason it is important that we should examine every proposal from every point of view. If you are not prepared to express any opinion we shall say that the Swedish Match Company does not want this monopoly.

Mr. Schele.—As a matter of fact looking at the whole of this monopoly question I consider that an accomplished thing like a monopoly to be built up on an industry which is so much in its infancy as the match industry in India would be very unsound. It will be like building on clay. If the ground gives way the whole structure comes down.

President.—In what way?

Mr. Schele.—Because things have not stabilized themselves in India and anything might happen. Wood may go out in one place or another or one might build a factory in the wrong place. After all a monopoly is a very high form of organization and one must have considerable experience to take in hand a thing like supplying matches for the whole of India.

President.—Why not? Government have got a monopoly in other things.

Mr. Schele.—They are not so difficult as matches.

President.—Every industry says that it is the most difficult.

Mr. Schele.—I am sorry Mr. President.

President.—If you say you are not prepared to consider this question at all from your point of view of the manufacture being entrusted to you, I have nothing to say. I can only say this much.

Mr. Schele.—I have stated my personal views on the subject of monopoly. Those views may not coincide with the views of the Directors at Stockholm.

Dr. Matthai.—If the wood question was the main difficulty so long as there was the possibility of your importing aspen, would there be any real difficulty about organizing a monopoly in India?

Mr. Schele.—Exactly but then you must remember that if the Indian wood supply failed you would have to go back to aspen. That would mean increased prices. Generally when you take over a monopoly, it means that you fix your prices. Say you get a contract for 25 years at such and such rates, then you find that you cannot use Indian wood and you have to use aspen, then all your calculations go wrong.

Dr. Matthai.—That is no question of a fixed price. Prices always vary, take the case of the Greek monopoly; the average varies from year to year.

Mr. Schele.—It is a good arrangement.

President.—Supposing you had a monopoly here and fixed prices which would be regulated from time to time according to the conditions of the industry.

Mr. Schele.—Is that a statement or is it illustrative?

President.—We are simply arguing.

Mr. Schele.—It is very difficult to argue these questions.

President.—I am putting to you a concrete question. You are at liberty to say "we have got no views on this question, namely whether we are prepared to be entrusted with the manufacture of matches".

Mr. Schele.—You must realize that the Swedish Match Company is a world wide company, I myself being only the General Manager in India, I am not allowed to sit here on behalf of all the shareholders and express an opinion whether the Swedish Match Company are willing to take over a monopoly in India. I must cable home to-night in that case and say that the President of the Indian Tariff Board has asked me to-day whether we are prepared to take over a monopoly in India of match manufacture and in such a case what our conditions would be. When I get the reply, Mr. President, I shall be very pleased to give you that information.

President.—I don't make you an offer.

Mr. Schele.—That is the difficulty. How would you advise me to put this?

President.—I am simply asking you, supposing you had a monopoly what would you do and you say you have no opinion to offer.

Mr. Schele.—Personally, but can you suggest a way in which I could cable to the people who run this company?

Mr. Mathias.—But you are the general manager for India. Supposing your directors at home had been offered and had accepted the monopoly. They then instructed you to make arrangements for the production of matches in order that they might be able to supply to India under the terms of the monopoly, how would you set about? That is what the President asked you.

Mr. Schele.—That is where I cannot give you an answer right away. That means looking into things—the kind of plant and organization required

how it could be done and so on. It would probably be about three months' hard work for myself and my staff to investigate it how we could do it. It is a big thing after all.

President.—Instead of a monopoly supposing you had been able to acquire a controlling interest in all the factories, more or less you would follow the same plan as if you had a monopoly, would you not?

Mr. Schele.—Again this is altogether a news to us because we have never aspired to a monopoly. We have never wanted to acquire a majority in the Indian factories and consequently the problem is such as has never been considered. It is like a country not having a plan for mobilization. We have not considered the problem. But now if the problem is put before us.....

President.—All the alternatives are before you in this letter?

Mr. Schele.—We received it only last week.

President.—We have been discussing most of these things.

Mr. Schele.—Do you mean these points?

President.—Not these particular points. Do you mean to say that the Company has never considered the question as to how it could conduct the manufacture if it had a monopoly? It is very difficult for me to understand that.

Mr. Schele.—That is a fact. We have been so busy Mr. President, arriving at the position we have to-day which has not been easy at all,—we have been working very hard—to get where we are that we have not had time to consider those theoretical possibilities for the future and I only ask you to take my word for that.

President.—I do take your word but I can only point out to you this. Supposing we came to the conclusion that a monopoly was the best thing, we must rule you out of that on the ground that you had not considered it and that your views were not before us. Once we have submitted our report we are not in a position to consider your views. I have no control over you and I cannot compel you to give any more evidence than you wish to give, but I thought that you would be able to help us with your views on most of the points. Am I to take it that so far as the monopoly of any kind is concerned, mentioned in this communication of ours, you have got no views?

Mr. Schele.—I have certainly got views on the advantages and disadvantages of a monopoly as regards the match industry but the question that you put to me is "how would you arrange it, how would your company be willing to do this, what are those terms on which your company would like to take it" and so on and I say on these points I have not got any views to put before you as to what my Company will do if it were to-day offered the monopoly.

Mr. Mathias.—Where would you establish your factories for instance?

Mr. Schele.—That has to be gone into very carefully. For instance before doing anything at all I would like to make a very thorough survey of the timber possibilities of India. I understand that that will take two years. I don't think a sound firm can give any opinion without knowing the first facts of case.

President.—We are contemplating conditions under which if you had not any Indian wood available, you would be in a position to use imported wood.

Mr. Schele.—If Indian wood was not available at all and Government wanted all matches to be manufactured in India the logical conclusion is that all factories should be placed in the principal ports, as far as I can see.

President.—So they are just now.

Mr. Schele.—Exactly because that was the position in the beginning. Everybody used aspen.

President.—If the wood position turned out to be favourable, even so you would have most of your factories at the ports.

Mr. Schele.—Not necessarily.

President.—Those are the places of consumption.

Mr. Schele.—Some of them are. You may, for instance, put two factories in Bombay instead of one in Bombay and one in Calcutta and vice versa. I just say that as an example.

President.—So far as the imported wood is concerned.

Mr. Schele.—Even as regards Indian wood.

President.—Take first the imported wood. So far as the imported wood is concerned you can have factories either at Calcutta or at Bombay.

Mr. Schele.—Yes.

President.—At present you have got them in both places, so you might keep them on.

Mr. Schele.—Yes, and that may be a sound thing to avoid extra freight. But what I suggest is that wood might be so much more expensive in one place as to more than equalize the freight.

President.—As far as we know of the conditions of Indian wood, in the Bombay Presidency except wood for boxes no wood has been discovered for match making on any large scale. So far as Burma and Calcutta are concerned there are larger quantities of wood.

Mr. Schele.—I am not so sure.

President.—Take the Andamans. Supposing they turn out to be a good source of wood supply then it is convenient both for Rangoon and Calcutta more convenient than for Bombay, so that even from that point of view supposing that was the source of your supply, Calcutta and Rangoon would be the other two places.

Mr. Schele.—Yes, but again, Mr. President, those are suppositions. Even with this preliminary point I should say we have to satisfy ourselves that it is so.

President.—Where else would you have factories? You must have factories in any of the three places where you are using imported wood or Indian wood. You cannot get away from it.

Mr. Schele.—No.

President.—The only question that would remain would be whether you would have another factory, say, in Lahore or some other place in Upper India.

Mr. Schele.—That is a point on which I cannot express any opinion.

President.—That is an uncertain point?

Mr. Schele.—Otherwise as you say it is obvious that there must be factories at the three ports. My opinion on that subject is really not of much value.

President.—Supposing you are given a monopoly would you still continue at the three ports?

Mr. Schele.—That would be the obvious conclusion.

President.—The only other point is whether you would have a factory in Upper India.

Mr. Schele.—That is what I cannot express any opinion on.

President.—We have not enquired yet in that part of the country.

Dr. Matthai.—Do you consider South India entirely out of the question?

Mr. Schele.—Yes.

Dr. Matthai.—Why?

Mr. Schele.—All the reports we have so far point in the direction of insufficient wood supply.

Dr. Matthai.—If it were a question of starting a factory at the Madras port with the possibility of using imported aspen if you did not succeed

in getting Indian wood, would not Madras be a possibility exactly as Bombay or Calcutta or Rangoon?

Mr. Schele.—Yes.

Mr. Mathias.—The Andaman wood can also be imported into Madras.

Mr. Schele.—Yes, but Madras is not a very good centre of distribution. Madras is rather badly situated.

Mr. Mathias.—Ceylon perhaps will be a better centre of distribution.

Mr. Schele.—No.

Mr. Mathias.—You prefer Ceylon to Madras, do you?

Mr. Schele.—No. Madras is rather far away from the most important markets like Secunderabad, Hyderabad, Bangalore, etc.

Mr. Mathias.—Why did you select Ceylon?

Mr. Schele.—We have never selected Ceylon. Ceylon is a market confined to itself.

Mr. Mathias.—Why did you choose that for a factory?

Mr. Schele.—We did not choose it.—We only bought an old one.

Mr. Mathias.—Why did you do it?

Mr. Schele.—To stabilise our trade.

President.—Look at it this way. We assume that the manufacture is carried on on a very large scale. You have got one big factory at Ambarnath. Supposing you had a monopoly or anybody else had a monopoly, he might close down all the other factories in Bombay. Supposing all the imports are stopped, then there might be room for two factories of the same size as Ambarnath?

Mr. Schele.—Yes.

President.—In such a case, do you think that it would be economical to have one in Madras and one in Upper India?

Mr. Schele.—If the whole consumption of the country was being catered for by local factories irrespective of the cost to the country, you would obviously require five factories of the size of Ambarnath. To exceed Ambarnath's size is not economic. Because there we have reached that stage where if you have a higher production your cost increases, that is our experience. That means five factories, as you say yourself. On the face of it you should have one factory at Bombay, one factory at Calcutta and one at Rangoon. Where the other two factories should be depends on the result of a more thorough survey of the country.

President.—I understand. I want your opinion as an expert as regards the distribution, what centres would you select apart from the question of wood?

Mr. Schele.—I think from the point of view of distribution a factory up in the north would be very feasible because after all the distances from Bombay and Calcutta to the Punjab are very considerable.

President.—One factory you would recommend in that part.

Mr. Schele.—Yes.

President.—That is apart from the question of wood.

Mr. Schele.—Yes.

President.—Then you would still require one more factory centre supplying the rest of the market.

Mr. Schele.—Yes.

President.—In that case would not Madras be a good point?

Mr. Mathias.—Or would you prefer Hyderabad?

Mr. Schele.—One should draw circles of distribution. If you don't consider the question of wood at all—even leaving aspen aside for the moment—looking at it from the point of view of consumption, the question is to find the most economic radius of every circle. First of all, theoretic-

cally one would eliminate the ports altogether because they are at the outskirts of the circles. That is theoretical—only taking the consumption. Then the next question you have to consider is the wood. Then take aspen to start with, and you must combine the question of market with the aspen supply. Then, you must be in the ports.

President.—That is what I mean. You are always on the safe side in this way in the ports that if the supply of Indian wood fails you have this alternative there, you can at once fall back upon aspen. Then again the source of supply as regards Indian wood is the Andamans or Burma, the ports would be more suitable

Mr. Schele.—Taking only aspen I should say the obvious conclusion is Karachi, Bombay, Madras, Calcutta and Rangoon. Combining your cheapest supplies of aspen with the best distribution we would be in more or less the same position as with imported matches.

President.—Supposing we had a factory in Upper India instead of in Karachi, from the point of view of distribution that factory would be better situated, would it not?

Mr. Schele.—Yes.

President.—Supposing you had to use Indian wood there and it cost you a little more, even then it may not be uneconomical to have your factory there?

Mr. Schele.—No. But you have to compare the relative freights and the difference in cost.

President.—It would shorten your distance from Bombay and Calcutta.

Mr. Schele.—Yes.

President.—Which at present supplies Upper India more or less.

Mr. Schele.—Bombay and Karachi.

Dr. Matthai.—Outside the centres where you have factories now on your present information regarding the wood supply where would you have a factory from the point of view of ensuring wood supply?

Mr. Schele.—I do not attach any value to my present information about wood supply because we have found over and over again that we cannot rely on the information that we have so far received.

President.—If there were five factories in India located at these different places, do you agree that the production of matches would be cheaper than under the present system?

Mr. Schele.—Not cheaper than what we have at Amarnath.

President.—As regards manufacture probably there won't be any difference; it would be about the same as at Amarnath?

Mr. Schele.—Yes.

President.—It would be cheaper than if you had smaller units?

Mr. Schele.—Naturally.

President.—Let us now see how the monopoly may be worked. One way is handing it over to you. You have not considered that. Of course there is one other way and that is Government can acquire all the factories and say we will manufacture ourselves. On that I don't think I need trouble you. There are many arguments for and against as regards that. But supposing Government said "We won't entrust the whole manufacture to you, but to a separate organization formed in India"—you have got an instance like that in Germany for instance where you have got the Swedish Match Company and the German manufacturers, and there they manufacture these matches and sell them to a Sales Corporation—do you think such a system could be introduced here?

Mr. Schele.—I think there are certain defects. I have not considered this question.

President.—We would like to have your views.

Mr. Schele.—There are arguments for and against that. The main point, as I said a little while ago, is that the industry is far too much in its infancy.

President.—Supposing Government takes the risk and says "matches will have to be manufactured in this country and we want to find out the best way of doing it"?

Mr. Schele.—Will Government take the risk?

President.—We speak of an organization like that in Germany.

Mr. Schele.—Will an organization like that take the risk?

Dr. Matthai.—When you say it is an infant industry you are thinking entirely of the question of Indian wood supply, are you not?

Mr. Schele.—Yes.

Dr. Matthai.—Supposing it was suggested that you might get imported aspen as an alternative to the Indian wood if the Indian wood failed, would you still consider this an infant industry?

Mr. Schele.—If that was stipulated from the beginning and made clear, that will make the whole thing easier.

President.—Supposing Government says that this industry is to be organized and it must make the best return to the consumer and the best return to Government, and then it says "we don't want to manufacture matches ourselves, we don't want to give the manufacture entirely to the Swedish Match Company but we want the manufacture to be distributed amongst the various manufacturers", what do you think of that?

Mr. Schele.—The first drawback there, is that the quality of matches of the different factories varies too much and consequently this plan would necessitate the closing down of most of the existing factories and erecting of new factories on modern lines like Ambarnath.

President.—That is just one of the points. Supposing we had a Sales Syndicate—we call it that for shortness—obviously it would say "all right now we have got this monopoly. We shall close down all the smaller factories undoubtedly and we shall build new factories" and it may select those 5 places which we have been talking about. We assume that.

Mr. Schele.—Then of course these difficulties disappear. I based my opinion on the industry as it is to-day and speaking on the fact that it is a question of really protecting the present vested interests to a great extent.

Mr. Mathias.—When you are speaking of closing down factories and building new ones would you close down a factory like the Essavi Match Factory in Calcutta or Adamjee's in Rangoon? They are fairly up to date.

Mr. Schele.—I would have to go into that question.

Mr. Mathias.—I mean apart from Ambarnath there are in India now four or five fairly well situated large factories producing on up to date lines, is not that correct?

Mr. Schele.—I don't want to cast any reflection on my competitors,—it is very easy to do so—but there are very few factories. After all these things would have to be gone into.

Mr. Mathias.—Basing it on one's present knowledge?

Mr. Schele.—I don't think that as much as four or five could remain.

Mr. Mathias.—Could you give us a number?

Mr. Schele.—Two or three factories apart from our own.

Mr. Mathias.—Two to three would still remain and for the other two new factories will have to be built instead.

Mr. Schele.—Yes. Take Calcutta for instance. We have our factory in Calcutta which I don't consider ideal. Consequently when it is a question of building a new factory in Calcutta, I will have to do it in combination with somebody else.

President.—If a sales syndicate is formed?

Mr. Schele.—Do you mean monopoly comprising both manufacture and sale as they have in Germany?

President.—There are two companies there.

Mr. Schele.—They are practically speaking the same people.

President.—We will discuss that first. Let us say that they are the same people. Then the sales syndicate would determine where the factories are to be built.

Mr. Schele.—Let us call it a monopoly company.

President.—All right! The monopoly company would decide where the factories are to be built and then what will it do as regards the existing factories? In Poland for instance you took the monopoly, did you not?

Mr. Schele.—Yes. In Poland they carry on manufacturing in the old factories.

President.—Who buys the matches?

Mr. Schele.—It is the same company. They sell through the same organization at a certain price and pay the Government a fixed sum every year.

President.—What about the quality there then?

Mr. Schele.—The monopoly company is responsible for quality.

President.—So would it be here?

Mr. Schele.—The Polish match industry is a very old industry.

Mr. Mathias.—You mean that the factories are all up to date.

Mr. Schele.—Yes.

President.—Some of them have closed down.

Mr. Schele.—I don't know. They may have closed down some of the factories in order to standardise things or reduce wastage.

President.—Obviously if a monopoly company was formed, it would take over the factories and reconstruct them or build new factories in their place.

Mr. Schele.—So, it seems to me.

President.—But supposing Government say "we don't want to interfere with the existing factories". In that case would it be impossible for the monopoly company to purchase matches from them at a fixed price.

Mr. Schele.—I consider that impossible.

President.—On what ground would it be impossible?

Mr. Schele.—Because as I say the qualities of the different factories vary too much.

Dr. Matthai.—Could you not group them into a few broad categories in this way? As the President was suggesting when we started this discussion from the point of view of wood you have aspen splints and aspen veneer for boxes; then you have aspen splints and Indian veneer and thirdly you have Indian splints and Indian veneer. Would not that give you three categories into which you could divide the matches from the point of view of quality?

Mr. Schele.—No, because the variation in quality depends on insufficient supervision, on organization and on management.

Dr. Matthai.—How does it actually show itself in the product?

Mr. Schele.—In many ways! There are one hundred and one ways in which matches can be deficient, and the trouble is that in the case of some of these factories you get fairly decent products one week and another week they are hopeless.

Dr. Matthai.—On the whole at present in the present state of competition provided splints are made of aspen and the veneer is made of Indian wood, your matches in the market do not command any better price than the corresponding Indian-made matches?

Mr. Schele.—As far as I have been able to see from the evidence which has been tendered to you during the last few days I see that there is a difference of two annas in our favour. I can only go by the evidence.

President.—That is the evidence.

Dr. Matthai.—Leave out Ambarnath matches for the present. The matches produced by the other Indian factories practically sell at the same price.

Mr. Schele.—Yes. When there is a cut-throat competition, the margin on account of quality is apt to get very small. Quality does not tell as much as it would otherwise.

Dr. Matthai.—During the first few years if you had differentiated matches according to the sort of wood used for splints and veneers and divided the matches into three grades, in that case there would not be any injustice done as compared with the present position in the market.

Mr. Schele.—I think so because you mean apart from Ambarnath. I don't think that the other manufacturers here will agree that their matches are all the same. There is an actual difference in price between them and I do not know what statement you are going by. There is certainly a difference. Take sulphur matches for instance. The sulphur rates of Bombay Match Works are considerably higher than the rates for Andheri sulphurs. Again you have Santa Cruz Matches which command a better price than some of the other factories, particularly their pistol brand which is of a better quality.

Dr. Matthai.—Would it be impossible to get together a body—some expert authority—who could classify the matches as they are classifying for example coal here?

Mr. Schele.—I don't think that would be possible.

Dr. Matthai.—It would be impossible because there are so many different shades of qualities.

Mr. Schele.—Yes. Then again there is this difficulty about classifying matches. I classify say in the month of May a particular match as fairly good. The same match when the monsoon comes may turn out to be bad. To check that is impossible.

President.—Take the case of Germany. There are so many of these factories even now in this combine.

Mr. Schele.—Yes.

President.—The question of quality must arise there too.

Mr. Schele.—There the industry has stabilised itself. It is a very old industry and I am sure you will agree with me that any industry in the world—just as human beings—takes a certain time before you can really say that it has settled down. You know what the old established industries are now; and that they will remain more or less the same. After all the match industry in India to-day is like a baby. You do not know how a three-year old baby will turn out.

President.—I am afraid, I have not had any experience on a large scale.

Mr. Schele.—As to that I have no experience at all, but you see my point?

Dr. Matthai.—Is it possible to take the equipments of the various factories and, by an examination of the equipments and plant in various factories, group certain factories in class A, certain factories in class B and so on.

Mr. Schele.—I don't think so.

Dr. Matthai.—What is the inherent difficulty?

Mr. Schele.—The difference might be so small in the actual equipment in these factories with Japanese machinery. One machine in one factory may be fairly all right, and you class that as figure 10; the same machine in another factory you class as figure 7.

Dr. Matthai.—You cannot make it absolutely accurate but for practical purposes you can get a sufficiently satisfactory basis.

Mr. Schele.—But then the qualities of the machines are not exactly the same; then comes organization, management and supervision and purchase of chemicals. When some of these factories want to buy chemicals they only look at the price with the result that they get a very inferior quality of chemicals. It is very dangerous to economise in match manufacture especially as regards chemicals.

Mr. Mathias.—You would recommend that if any such system were adopted Government should license all match factories and refuse to license the inefficient ones thus retaining only three or four big factories for the manufacture of matches?

Mr. Schele.—As you say, in the beginning really the best thing would be to have five factories to supply the whole country.

Mr. Mathias.—What would happen to the other factories? Would they simply go out of existence?

Mr. Schele.—I suppose they will go out anyhow in the long run. That is one of my arguments against a monopoly. Personally I am a believer in free trade. Monopoly and fixed prices are always bound to put an end to business efficiency.

Mr. Mathias.—Still we have a monopoly in this country in liquor and drugs.

Mr. Schele.—You mean in India?

Mr. Mathias.—Yes; there are really exceptions, aren't there, even to free trade systems?

Mr. Schele.—Personally if anybody asked me my personal views on monopoly I would say no.

President.—There are very many abstract arguments against monopoly. We are dealing with the match industry. It is your view, is it, that if a monopoly is constituted in this country, the manufacture must be confined to a very few large factories?

Mr. Schele.—Yes.

President.—Unless you do that the quality cannot be maintained; is that your argument?

Mr. Schele.—Yes.

President.—Because there is such a large gradation in the quality of the matches that it would be difficult to say whether they were up to the standard.

Mr. Schele.—Yes.

President.—Having got these five factories, supposing instead of having this one company owning all these five factories, licenses were granted to these five factories only in India, then do you think the quality would be better maintained than if all the five factories belonged to a single company?

Mr. Schele.—If there was the same skilled management in charge of these five factories I don't think there would be any difference. I don't see why there should be.

President.—Take a case like yours. You own one or two factories. You maintain your quality of matches. That acts more or less as a check upon the other factories. This would not be the case if all the five factories belonged to the monopoly because in that case they can do as they like.

Mr. Schele.—It puts an end to business efficiency in a way.

President.—This would not happen if there were five companies engaged in manufacturing matches.

Mr. Schele.—Do you mean without having a monopoly?

President.—Not a monopoly as regards manufacture because they do not work together. It is a monopoly only in the sense that there are only these five people who can manufacture.

Mr. Mathias.—The quality would be maintained by Government license?

President.—If you maintained your quality, supposing the Swedish Match Company had a factory that maintained its quality.....

Mr. Schele.—Once these five factories were licensed, they would know that if they kept within reasonable limits and if they did not abuse their position too much, their production would be taken over by Government at a certain fixed price; and as long as they kept within these reasonable limits of quality they would be able to get rid of their production. It would be the same thing really as if they were one. There would be no difference.

President.—If you had five companies then the sales organization would be a separate one; that sales monopoly would have a voice in the quality.

Mr. Schele.—Yes.

President.—It can rule out inferior quality matches. Don't you think that the quality can be controlled better in that way?

Mr. Schele.—On the contrary it would be a very difficult position.

President.—Why?

Mr. Schele.—How could you avoid favouritism?

President.—You have got that in Germany.

Mr. Schele.—There the manufacturer is on the selling company. It is actually the manufacturer himself who sells the goods.

President.—I think you are mistaken.

Mr. Schele.—No.

President.—What happens is this: they have got two groups of manufacturers. I think the Swedish Match Company has got 65 per cent. and the German manufacturers 35 per cent. and then there is the German Co-operative Society which also gets a share. Those are the two manufacturing agencies. As a matter of fact they are all manufacturing agents. Then they have formed a sales syndicate?

Mr. Schele.—Yes, together.

President.—Yes, but they do not own these factories?

Mr. Schele.—But the sales people in a way do.

President.—They don't own these factories. In that sales organization the Swedish Match Company and the Germans have an equal share which is not the case in the other and therefore the sales organization is a different organization in this sense that it has got the right to fix the price which it pays to the manufacturer and also the right to reject matches if the quality is not up to the standard. They are two different things.

Mr. Schele.—It is the same people.

President.—Excuse me, it is not. They are two different things.

Mr. Schele.—If I have a factory over there called 'A' company and then I have a company called the 'B' company, I put myself in the place of buying the goods from one of these factories.

President.—There are a number of factories?

Mr. Schele.—Yes.

President.—They don't work together, that is what I am trying to point out.

Mr. Schele.—But all these factories are represented on the committee of the selling company.

President.—There are five representatives from each group. There are many factories. There is the German organization; and there is the Government nominee—the Minister or whoever it is. This sales organization purchases matches in proportion to the quota which has been assigned

to each factory within that group. Then, that sales organization has got the right to fix the price.

Mr. Schele.—Within limits.

President.—There are no limits fixed. If there are any disputes, that is to say if the price is excessive, the Minister has got the right to intervene.

Mr. Schele.—That is what I mean by within limits.

President.—That sales organization, as far as I remember, has the right to reject matches which are not of a certain quality.

Mr. Schele.—Yes.

President.—If it was the same organization it would not have the right to reject its own produce. It is because it is a different organization that it has been given the right to reject.

Mr. Schele.—It is composed of different members.

President.—Supposing a sales syndicate is formed here you would not have the power to buy shares in that syndicate. It would be a distinct body.

Dr. Matthai.—As far as your goods are concerned you might find yourself in a minority when the question of selection comes, when the quality of your own matches is considered.

Mr. Schele.—If you don't have the same interest to further in both companies, i.e., the manufacturing and the selling company, you might go against one factory just to favour the other.

President.—But there is the Government control which is an extraneous control. Supposing the members of the syndicate do that, you have the right of appeal.

Mr. Schele.—It is not very pleasant in business to be always appealing!

President.—Supposing these five factories were given the right to sell and the right to manufacture, Government must see that the quality is maintained. Government must reserve to itself that right.

Mr. Schele.—It is very easy to say that but very difficult to do it.

Mr. Mathias.—Government might itself take an interest in the sales organization by taking up a block of capital.

Mr. Schele.—Yes.

President.—We have got these two or three different kinds of monopoly system. Which one do you suggest? The first system is where you would have the whole business, both manufacture and sale, entrusted to one organization, another is where you have this manufacture entrusted to, say, five different companies but the sales entrusted to another company. Which do you think would lead to the best results?

Mr. Schele.—I think the only practical way is to have one monopoly company. The disadvantages of having the two separate are quite considerable.

President.—Give us a few arguments.

Mr. Schele.—I have got a list here of the disadvantages of having the two separate (read)—To maintain a standard quality is out of the question and it is not reasonable that the low quality match should obtain the same price as the good quality. That would put a stop to business efficiency.

President.—That is when you have a separate organization.

Mr. Schele.—Yes. It is impossible to guarantee quality because manufacturers have no interest in the quality. The chief consideration for them would be to make a profit. Then considerable quantities may have to be turned down for inferiority, particularly during the monsoon. Under such circumstances serious shortages may occur. Of course that will be eliminated partly if you build five good factories.

Dr. Matthai.—If you are driven to a shortage you can import.

Mr. Schele.—You cannot suddenly import. It takes three months to get matches from Sweden.

President.—What next?

Mr. Schele.—License will mean uncertainty to individual factories. They might be asked to reduce their quota. Say, for instance, you estimate a certain consumption for India and you give each factory certain quotas, and then you find that you have over-estimated that consumption, or in one year you get a bad monsoon in India and that makes a tremendous difference to the consumption of matches then you will have to reduce the quotas.

Mr. Mathias.—Has that difficulty been experienced in Germany where they have a system of quotas?

Mr. Schele.—No, because there the sales organization being the same as the factories they just divide it up.

Mr. Mathias.—Quotas may be varied in Germany.

Mr. Schele.—They do it *pro rata*.

Mr. Mathias.—Could we not do it *pro rata*?

Mr. Schele.—You have no guarantee if you have a separate selling company.

Mr. Mathias.—Why not? Quotas could be fixed by Government. could not that be arranged?

Mr. Schele.—I don't see how you can do that? Could Government really attempt to supervise the sales corporation so closely? Would not Government be rather less conversant with the match trade as years went on?

Mr. Mathias.—In the abkari and the excise system Government has a monopoly and has special departments to administer the working.

Mr. Schele.—I think it is difficult not to show partiality when adjusting production. This also refers to the judgment of quality. Who will be able to do it impartially? How can individual factories be expected to recognize decisions when going against them? I am tendering, say, a lot of 5,000 cases a month, somebody may say these matches are rotten; I will have to take them back.

Mr. Mathias.—They will have to appoint an impartial body.

Mr. Schele.—Who is an authority on matches? Who is able to decide on the quality of matches?

Mr. Mathias.—I dare say somebody will be found who may be able to judge the quality and on whom reliance can be placed. Government's decision will be final.

Dr. Matthai.—Can you not get the services of a match technologist? The industry has been in existence for the last 40 years.

Mr. Mathias.—Surely if Government can pass its rails for instance for which it has its metallurgist, it is possible in the case of the match industry.

Mr. Schele.—It is easier to see in a commodity like rails whether they are up to the standard or not because there are recognized tests, but there are no recognized tests whereby you can see whether matches are good matches or not. The shade of difference may be so small.

Mr. Mathias.—There is the colour of the wood?

Mr. Schele.—The wood looks practically the same. Then there are shades: you really do not know when you are to say stop now these matches are not good enough, and if you say they are not good enough the manufacturer is bound to kick against it.

President.—That happens in many commodities for which there are contracts.

Mr. Schele.—I just put down the possible difficulties. There may be ways out of some but I just put them down as they occurred to me. Factories

may not be able to keep up to their qualities. It is impossible to adjust matters at short notice if the factories are not combined. If you have one monopoly company and you get a shortage you can distribute same over the various factories in the best possible way.

President.—In such a case the sales monopoly will be given the power to import matches.

Mr. Schele.—But that takes three months.

President.—You have three months' stock very often in the country.

Mr. Schele.—Not of imported matches.

President.—Of domestic manufacture?

Mr. Mathias.—If necessary you can put on a second shift at a pinch.

Mr. Schele.—It cannot be done at a pinch because it takes considerable time to train additional labour, besides there is the question which factory should do that if there is no combine?

President.—The sales organization could determine that.

Mr. Schele.—Which factory should get it? It might inconvenience a particular factory very much to do it.

President.—They can take it in turn.

Mr. Schele.—It may come at a very awkward moment to a particular factory. It is much smoother if you had one organization; you can arrange it much better in that way.

Mr. Mathias.—It is smoother I agree, but there is no insuperable difficulty in the other system?

Mr. Schele.—Then strikes may eliminate a factory; how is the deficit to be filled? Here is another difficulty which applies to Indian wood, I fear, namely to fix a price for all factories in a country of India's tremendous dimensions. Wood conditions may vary enormously in different parts and during different seasons. For instance in the hot season in Calcutta the factories there work under a very great handicap as compared with Bombay. A factory in Bombay may have difficulties with wood or labour at a certain period when the Calcutta factories for instance are doing well and *vice versa*. Then again how can one check that all factories sell their total output to the selling company?

President.—Do you mean to say that they may sell outside?

Mr. Schele.—Yes.

President.—That of course we can detect or they can manufacture in bond.

Mr. Schele.—Then, a Government monopoly of sales would involve the organization of a new department on a somewhat extensive scale and might well be objected to on the ground of expense. That is your own point.

President.—As regards this breakdown of the quota and so on at some time or other, supposing you were one of the factories here and the sales monopoly had the right to import matches to make good the deficit which might occur in the local production, it might be arranged with the Swedish Match Company to supply matches at prices to be fixed?

Mr. Schele.—Yes.

President.—Might not that get over many difficulties arising from the interruption of production?

Mr. Schele.—I have no doubt that if the Swedish Match Company is running the things many of the disadvantages would be avoided.

President.—Let me put a concrete case. Supposing there are five factories owned by five different companies and, say, you had two of these factories, or one factory, whatever it is, at the same time it was agreed between you and the sales company which buys all your production that if there is a breakdown you shall supply matches to that company at a

price which is the average of five or six different countries at that time. That would eliminate the difficulty, would it not?

Mr. Schele.—Yes.

President.—What would be the position of the Swedish Match Company? Would you agree to that?

Mr. Schele.—I should say it is a matter of conditions altogether.

President.—What conditions?

Mr. Schele.—I mean what the conditions are?

President.—The conditions are that you have a share in the manufacture in the country.

Mr. Schele.—That is a matter to be put up before our Board in Stockholm. I cannot reply to that at present. Naturally the Swedish Match Company expects something from India. We have come here and if we stay in India we want to do it for business reasons.

President.—I think yesterday you told us that the Swedish Match Company would require about 50 per cent. interest.

Mr. Schele.—That is what I understood from Mr. Krueger.

President.—Will that apply to manufacture alone or will it extend to sales also.

Mr. Schele.—Both.

President.—Supposing the sales were given to another organization what would be the position of the Swedish Match Company?

Mr. Schele.—On the face of it it seems extremely unattractive.

President.—Why?

Mr. Schele.—There would not be much in it.

President.—Would it not be sufficient for you to get a reasonable return on your manufacture. The point is this. You claim that you won't raise the prices beyond what would give you a reasonable return. Therefore, why should you claim an interest in the sales also if you get a return on the capital on manufacture?

Mr. Schele.—There again you must remember that we have interest in imported matches too. What would be the position of imported matches? That is a very important question to decide.

President.—If protection is given, either imports cease or imports are controlled to satisfy the special demand in the country.

Mr. Schele.—What I mean is this. If it is a reasonable protection, it should give some scope to the imports, as well as to the local manufacture.

President.—If imports are allowed the imports would also be through the sales organization. That is a question between you and them.

Mr. Schele.—There again that might alter the whole aspect of the thing to the Sweden Match Company.

President.—What would?

Mr. Schele.—You say, for instance, just for argument's sake, "We undertake to buy from you 4 million gross from your local factories and 4 million gross imported matches every year, on what terms and conditions are you willing to do this"—what I mean is that there must be a limit to what the Swedish Match Company can endure. Suppose you tell us "we will buy from you 2,000 cases a year from your local factories and will allow no imports", just to put another extreme, then we say this matter does not interest us at all.

President.—What would interest you, that is what we want to know.

Mr. Schele.—That is what we have to put before Mr. Krueger.

President.—You must assume that if protection is given, protection would aim at eliminating imports except to the extent to which they may be necessary in order to cater for a special demand.

Mr. Schele.—We have never assumed that because the reference under which this enquiry is made states that the measure of protection must be the difference between the price at which goods are landed and the price at which the local matches are sold.

President.—Who says it?

Mr. Schele.—That is printed and you have also referred to it many times.

President.—That is the method we adopt in determining the measure of protection.

Mr. Schele.—I am sorry I used a wrong word 'reference'. That is what has been laid down by you.

President.—That alone would ensure the elimination of imports. We should be at liberty to make any proposals that would be adequate for that purpose, otherwise the scheme of protection will fail. The idea of protection is that everything more or less that is needed by the country must be manufactured by that industry as far as possible in the country.

Mr. Schele.—I never knew that that was the purpose of protection.

Mr. Mathias.—Our terms of reference also instruct us to advise Government generally about the organization of the industry. The terms of reference are very wide indeed.

Mr. Schele.—It has been laid down that the extent of protection should be the difference between those two factories.

Mr. Mathias.—That is one of the methods we have adopted in other industries.

The object of protection.

President.—Subject to the condition that the industry should expand and justify the grant of protection, the object of protection being to enable the industry to serve the whole of the home market.

Mr. Schele.—At such rates that they don't put any hardship on the community. That must be the difference between the two rates. If you raise it above that level it is simply taking the money out of the public's pocket. If we have protection in Sweden, we don't have protection in order to eliminate all goods from India.

Mr. Mathias.—They do in America?

Mr. Schele.—But then the American tariff is different.

President.—Theoretically the object of protection in every country is this, that eventually the country must supply all its demand.

Mr. Schele.—I have never taken it in that light. I thought it was simply to protect a certain industry that has been established but not to make a country self-supporting because the result would then be ultimately that all commercial intercourse would be stopped.

President.—You are going in some other sphere.

Mr. Schele.—That is what it seems to me, if all countries are going in that direction.

President.—The object of protection is not merely to give protection in the literal sense but to give protection which would lead to the expansion of the industry to the extent of enabling it to meet most of the domestic demand; otherwise protection has failed.

Mr. Schele.—That is rather theoretical. The word 'protect' means to protect somebody, to maintain what he has.

President.—No.

Mr. Schele.—To protect somebody not to enable him to expand. That is logical.

President.—Protection means that you protect it against whatever may be the temporary difficulty, but at the same time you allow it to expand.

Mr. Schele.—Say I have a house and I want it to be protected. That does not mean that I want to build a bigger house. I want you to protect merely the old house.

Dr. Matthai.—It is like protecting a plant and allowing it to grow at the same time. It is a hot house business!

President.—You must assume that under the scheme of protection as formulated by us, its purpose must be to enable the industry in the end to supply most of the domestic demand.

Mr. Schele.—That is a very interesting information because Mr. Krueger took it in a quite different way.

President.—I am very sorry if he took it in that sense and if I contributed to that view at all.

Mr. Schele.—He took it as in other countries.

President.—Our system of protection is very different from that of other countries. We don't give protection to any industry that comes forward merely for the sake of protection. They have not got this elaborate machinery that we have here for enquiring into it.

Mr. Schele.—In some countries they have.

President.—Not to the same extent I am afraid—anyhow that is our view. The question of import for the moment should be left out, and eventually most of the matches must be manufactured in this country if the scheme of protection as put forward succeeds. Then what objection would you have to the manufacture of matches in this country. Or, if imports cease, is it your point that you don't want to manufacture matches at all here?

Mr. Schele.—That is raising an extraordinarily interesting point because this will be something definite for the Swedish Match Company which we have not had before. We had guess work hitherto, but now seeing that it has been stated definitely.....

President.—What has been stated definitely?

Mr. Schele.—Anyhow the purpose of this protection.

President.—The purpose of any scheme of protection, not this protection.

Mr. Schele.—The aim of match protection will be to make it possible for the industry to expand and its ultimate purpose is to supply most of the country's consumption. In that case, talking of the match industry, what would be the attitude of the Swedish Match Company: would it consider it worth while continuing manufacture in this country? That is the point at issue and I suppose I can take that as a definite statement.

President.—That does not mean that we recommend protection. If we make any proposals as regards the amount of protection to any industry we should aim at its expansion.

Mr. Schele.—I should like to have it made clear.

President.—You can take it down if you like:—

“If any proposals are made by the Board in the direction of granting protection to the Match industry, the amount of protection must be so fixed as to enable the industry to overcome temporary difficulties and be in a position to develop and ultimately satisfy the bulk of the country's demand with due regard to the well being of the community”.

Mr. Schele.—This merely leaves to be decided whether the industry will be granted protection, and that again will be decided purely on the three points laid down by the Fiscal Commission, is that the position?

Mr. Mathias.—In this particular reference we are not tied down by the conditions laid down by the Fiscal Commission but we have been to advise Government on the whole aspect of the Match Industry.

Mr. Schele.—I am afraid we have rather over-estimated those three points.

President.—Those three points are not exhaustive. There are other points also.

Mr. Schele.—There is one additional point to which we have not paid sufficient notice and that is that the Board has been asked to state their views on the organization of the industry.

Mr. Mathias.—Will you please refer to the terms of reference. That will make the point quite clear. This is the sentence to which I am referring—“Generally the Tariff Board will investigate the whole question and make such recommendation as seem germane to the subject”. That is very wide!

Mr. Schele.—But it has not been stated in so many words that you should look into the question of organization, that is why missed the point.

President.—If the Swedish Match Company is to have any interest in the Match Industry in this country and if any proposals about protection were made, the question will then resolve itself into undertaking manufacture in this country. If that was the position how far would the Swedish Match Company be prepared to co-operate with any scheme of a monopoly that might be proposed?

Mr. Schele.—I would like to cable home and ask the favour of being heard by the Board at a later date because actually this alters the whole position materially.

President.—We are very sorry that the position had not been understood by you. It is difficult I admit, but you will find in our previous reports that we have always borne that in mind. You will find that in everyone of our bigger reports we have always discussed the question of the expansion of the industry and what would lead to such expansion.

Mr. Mathias.—One of the conditions referred to by the Fiscal Commission as a qualification for the grant of protection is that the industry should eventually be in a position to meet the demand of the whole of the home market. That is one of the conditions in the Fiscal Commission's report so that it is necessarily a point which has to be considered.

Mr. Schele.—This is not an industry which was selected by the Fiscal Commission.

President.—The Fiscal Commission did not select any industry; we are selecting the industries. I cannot examine you any further on this point because it is important for this Board to know the attitude of the Swedish Match Company, as to whether they would be prepared to interest themselves in the manufacture only without necessarily having the right to sell. Of course Government itself may undertake the sale but may also, as I say, allow the company to undertake the sale. In such a case on what principle do you suggest that the price to be paid by the sales company to the manufacturing company should be fixed?

Mr. Schele.—You mean if it was a Government monopoly, do you?

President.—Either it is a Government selling agency or a syndicate.

Mr. Schele.—There is only one way of doing it and that is to give the factories sufficient inducement to carry on the manufacture. That price may undergo fluctuations which have to be reviewed from time to time.

President.—Yesterday we were discussing the fair selling price. If a fair selling price were fixed which you considered fairly attractive, then you would be prepared to undertake manufacture?

Mr. Schele.—Yes, as I am manufacturing to-day.

President.—Provided you get a certain share?

Mr. Schele.—We are not talking of ourselves but of the general principle.

Fixing of prices.

President.—Supposing, to start with, the company fixed the fair selling price that we determined or any other fair selling price by agreement, would you expect that price to remain in force for a number of years at a time or

would you have a more frequent revision so that every factory has the inducement to reduce its cost and to benefit by the reduction?

Mr. Schele.—That is rather a question of general interest in a way. You are in a position to say as much as I can do. It does not refer merely to the match industry, but speaking generally, of a monopoly where prices are fixed, in that case my experience is nothing compared with the Board's.

President.—Take the case of Greece for instance?

Mr. Schele.—That is of course another matter altogether. There is no local manufacture.

President.—I am just giving you an instance. Take the case of Poland where you manufacture. The monopoly extends there, I do not know for how many years, but there the period is fixed and it is a long period. It may not be easy to fix such a long period in a country where the industry is, as you say, in its infancy, so that it may be necessary to fix some period which is neither too long nor too short. If you fix a very short period then there is very little inducement for the factories to economize, but supposing we gave you a seven-year period or a five-period then there is inducement for economies and if the factories economize they get the benefit of those economies for a sufficiently long time. Supposing a period were fixed what do you suggest the period should be for the fixing of rates?

Mr. Schele.—It is very difficult for me to express any opinion. It must be guess work in a certain sense. I think one must weigh the advantages and disadvantages of those two possibilities before expressing an opinion.

President.—We may take it that in an industry which has been in existence only for three or four years a monopoly price for a period of 25 or 30 years may not be to the advantage either of the manufacturer or of the country as a whole.

Mr. Schele.—May I look into that and consider carefully?

President.—Because it is a long period, let me put it this way, the monopoly may be given for 25 or 30 years to manufacture and to sell but say, every 5 years or 7 years a revision takes place as to the prices; do you think that period would be a sufficient inducement to the factories to effect economies?

Mr. Schele.—May I look into that question and consider it carefully and send you a reply later?

President.—As I say, it may be possible to create a monopoly for 25 years.

Mr. Schele.—Yes, but it is a kind of question which one does not like to reply to on the spur of the moment.

Dr. Matthai.—25 years would be fairly long for the fixing of prices, would it not?

President.—Supposing the monopoly is fixed for 25 or 30 years, we want to know the period for which prices may be fixed at a time—five, six, seven or whatever you like to suggest.

Mr. Schele.—This is all really a matter of common sense in a way. Anybody can give an opinion just as well as I can do.

President.—You have experience of the business.

Mr. Schele.—I have not got experience on this point. Everybody who has got a conception of commercial things has got to weigh the advantages and disadvantages.

President.—What machinery do you suggest for fixing prices?

Mr. Schele.—If I may, I would like to look into this question carefully and give you a reply later.

President.—Supposing there was a separate sales company what machinery would you suggest for fixing the prices at which they are to sell matches?

Mr. Schele.—The kind of investigations as you have now—the kind of committee as the present one appointed by Government.

Dr. Matthai.—A kind of committee just for the purpose of fixing the price?

Mr. Schele.—Yes.

Mr. Mathias.—The price at which the sales company is to sell to the public?

Mr. Schele.—Yes. That seems to be the only possibility.

Dr. Matthai.—There is this factor, is not there? Supposing you did have an organisation of this kind, then as you pointed out yourself, the question of quality and various other things would arise.

Mr. Schele.—Naturally.

Dr. Matthai.—The point that you may consider is this, whether it is not advisable in such a case to have a standing committee or authority to advise Government with regard to the periodical revision of prices and with regard to other questions that may come up from time to time.

Mr. Schele.—If you revise prices too often there will be a tremendous uncertainty for the factories.

President.—That is why I suggest a period.

Mr. Schele.—If they find that there will be a revision within a fairly short period, they will not benefit.

President.—That is the reason why I am arguing for a period of about 5 to 7 years.

Mr. Schele.—Yes.

Mr. Mathias.—How are prices fixed, for instance, in Poland or Greece?

Mr. Schele.—As regards Greece, I do not know because we part with the matches as soon as they have left Sweden.

Mr. Mathias.—It is a matter of some difficulty for Government to fix prices. We found that during the war.

Mr. Schele.—The first price you can always fix but the subsequent price is practically impossible to fix.

Mr. Mathias.—You can fix the first price.

Mr. Schele.—Yes, Government themselves can do so.

Mr. Mathias.—In this case, it is the sales organization.

Mr. Schele.—By Government I mean a body which is more or less controlled by Government. Like any other people, they sell at Rs. 1-8-0 or Rs. 1-10-0, the half size for instance. That price can always be fixed.

Mr. Mathias.—Do you mean some sort of Government inspection of accounts or something of that sort?

Mr. Schele.—It would be very easy to do it. If they sell at higher rates their profit would be out of proportion and the whole thing would be obvious.

Mr. Mathias.—Would you suggest any system of Government guaranteeing a return on the capital invested and the division of any surplus profit between Government and the sales organisation by way of reducing any temptation to push up prices?

Mr. Schele.—There is no temptation; there is no possibility.

President.—Supposing Government decides on this. Government has to get a revenue—Look at it from the Government point of view—It says it must get so much revenue. Then, it tells the sales organisation 'all right, you come forward and we will give you the monopoly to sell. We give you a return of so much on your capital'. At the same time it says that 'in order that you may have an inducement to increase the sales we also give you a commission on the sales'.

Mr. Schele.—You cannot increase your sales, if you have a monopoly, over and above the consumption of the country.

President.—But they must outbid the demand.

Mr. Schele.—The demand will always be there.

Mr. Mathias.—The point is that the demand may increase and therefore a company organised at present which would pay 5 per cent. or 5½ per cent.,

approximately the same as the amount paid on Government paper, might in ten years' time, pay 15 per cent.

Mr. Schele.—Naturally they should have a commission on the turnover. That is necessary.

Mr. Mathias.—Any nett profits in excess of 5 per cent. might be divided between the organisation and Government.

Mr. Schele.—That is one way out.

President.—The idea would be to guarantee a certain amount of return on the capital invested in the company and there would be a division of the nett profit between the company and the Government.

Mr. Schele.—Yes, that is one way.

President.—If that were done, the cost of distribution might be very much reduced because you won't require so many middlemen in that case.

Mr. Schele.—Not quite; of course you would get middlemen all the same.

President.—Middlemen are a sort of wholesale dealers who buy at wholesale prices and then do exactly as they like.

Mr. Schele.—If they were allowed to do just as they like, they would be doing just the same as they are doing now.

President.—As regards retail prices there can really be no control?

Mr. Schele.—No. One must take it that the middlemen had a risk originally on account of the requirements of the market and the same market will be there.

President.—It is like this. To-day there is a lot of competition amongst the various manufacturers, is not there?

Mr. Schele.—Yes.

President.—It is for that reason that they have to offer inducement to middlemen to push their goods into the market. That will disappear.

Mr. Schele.—But then you will have middlemen to do the distribution.

President.—At present there are two things. The first is the inducement to the dealer to push particular labels. That would disappear.

Mr. Schele.—Yes.

President.—Then the cost of distribution will remain.

Mr. Schele.—Yes.

President.—But they may be prepared to distribute them at smaller rates because they get regular business in each locality, so that the cost of distribution may be reduced.

Mr. Schele.—Yes, I think that there will be a reduction on the present costs.

Mr. Mathias.—In the end, the consumer may get matches cheaper.

Mr. Schele.—That depends again on the ultimate price which we are not able to control.

Mr. Mathias.—The tendency would be for the cost to the consumer to be reduced.

Mr. Schele.—Provided the difference is not put in somebody else's pocket.

Dr. Matthai.—That again would be affected by the question of monetary unit.

Mr. Schele.—Yes.

Dr. Matthai.—That would still be there as an operating factor?

Mr. Schele.—Yes, all the disadvantages in respect of excise which we discussed this morning would be there.

Mr. Mathias.—Except that the sales organisation will be in a position to investigate this problem very carefully and fix prices from time to time.

Mr. Schele.—It is a matter for Government. I do not know if there would be any results.

President.—It would be for the sales organisation to decide what price it should fix having regard to the monetary unit, would it not?

Mr. Schele.—Yes.

President.—That has been done I suppose

Mr. Schele.—But then as you said this morning they would not be able to do it because anything might happen.

Mr. Mathias.—They can experiment.

Mr. Schele.—Yes, that would rather upset the market if they experiment too much.

President.—What might happen is this. Supposing the sales organisation found that in a particular market matches were sold at an excessive price, it could at once intervene and put more matches into that market to bring down prices.

Mr. Schele.—That would not necessarily bring down the prices unless they put in their own men to sell at the lower rate. Then again if they had to check a thousand places in India, it would be rather an expensive thing. Supposing they found in some small place upcountry that matches were sold at Rs. 4-8-0 a gross whereas the price should be Rs. 3-6-0, they would tell the panwallas 'you are making excessive profits' but it would be difficult to effect an alteration.

President.—That cannot happen for a long time because competition must naturally level up prices.

Mr. Schele.—That is what we have found. Apparently these panwallas and biriwallas stick together much more than other merchants do; otherwise their profit would be smaller everywhere.

President.—Supposing Government retains in its hands the monopoly for selling matches—we have discussed this scheme in our circular letter, this is what we say:—"Government may administer the monopoly through its own agency with the assistance of a committee representing manufacturers, traders, and general commercial interests"—and they fix the prices, the quality, the amount of output and distribution among the various factories, have you any views to express on that paragraph (paragraph 8 of the circular letter)?

Mr. Schele.—Only that a Government body like that is rather cumbersome and costly generally speaking and also there is the difficulty of getting a representative committee.

President.—We contemplate conditions under which there won't be many factories in the country so that as far as manufacturers are concerned the difficulties may not be great. Take your own case just now. As regards a very large percentage of your own production, you have got Messrs. Forbes. Government likewise may have single agents dealing with a large part of the production.

Mr. Mathias.—Suppose that Government appointed a small department for this business and all the general wholesale dealers of the country were licensed dealers so that you had a definite record of them. Then, if the general wholesale dealer wished to purchase matches, he would send in his indent to the officer, whether provincial or central, appointed on this behalf. This officer, having a record of the outturn of the five large factories and of the quotas, would send the indent on to the factory which he might select which would supply to the wholesaler. Would there be any very great difficulty would that be cumbersome?

Mr. Schele.—No.

Mr. Mathias.—On general questions affecting trade, the officer concerned might be advised by a committee or committees—the Government of India officer at Delhi, being advised by one committee and the provincial officer by a provincial committee.

Mr. Schele.—It means a new organisation and of course some of the markets in India are very small. You would need to have a hefty office with a lot of clerks.

Mr. Mathias.—You would have to have an office with 20 or 25 clerks for instance like a Deputy Commissioner's Office. It does not seem to present any real difficulty in administration provided you have only five factories.

Vested interests.

Mr. Schele.—In that case I suppose you would not consider the vested interests of the people who do a big trade in matches.

Mr. Mathias.—How many wholesalers are there in Bombay?

Mr. Schele.—Messrs. Forbes, Forbes Campbell & Company of Bombay and Messrs. Gordon Woodroffe & Company of Madras are the two firms who do a lot of business in matches in the east.

Mr. Mathias.—Government could license these as wholesalers.

Mr. Schele.—Unless they were licensed by Government and placed on the same basis, why should the people go to them?

Mr. Mathias.—They would indent for their requirements.

Mr. Schele.—But their orders would be derived from some wholesaler who would come himself.

Mr. Mathias.—Yes, it might possibly result in their elimination.

Mr. Schele.—How far would the vested interests be considered?

Mr. Mathias.—I am not prepared to give you an answer. I would like to have your views on that.

Mr. Schele.—It is difficult to reply to these questions because one does not know how these things will develop.

Mr. Mathias.—Of course there are other vested interests also—the small manufacturers of matches—which have also to be considered. Your agents, Messrs. Forbes, Forbes Campbell and Company, how many years standing have they?

Mr. Schele.—40 years standing.

President.—As regards vested interests. There are two classes of vested interests just now. There are the smaller factories and there is also the situation created by your own arrangement with Messrs. Forbes and your other agents Messrs. Gordon Woodroffe & Company in Madras. We do not know what your arrangements are with them. How long have they been your agents?

Mr. Schele.—They have been our agents for 40 years and in that way they have been really pioneers of the match business in India.

President.—That is true, but when the State makes itself interested in an industry for the purpose of its own revenue then individual interests are of subordinate importance. Is not that so?

Mr. Schele.—I don't know. I think it is not fair when you have done certain work faithfully for a certain time that you should be thrown away without any consideration just because it can be done without you.

Mr. Mathias.—What is the position? If you wish to change your agent, you can do so to-morrow.

Mr. Schele.—Not quite to-morrow. I don't know what the contract is but I think a certain period of notice must be given.

President.—It must be terminable.

Mr. Schele.—Yes.

Mr. Mathias.—So that their vested interests are only to the extent of the contract?

Mr. Schele.—It is more a moral interest than anything else because a contract without moral interest is not worth much.

President.—As regards the smaller factories, I think we have discussed that question before. What it comes to is this that if Government intervenes it may have to consider whether it would itself acquire those factories or whether it would expect the sales syndicate, if it is formed, to acquire these

factories. I think in one of the countries where monopoly was introduced the Swedish Match Company undertook to acquire them.

Mr. Schele.—I remember to have seen that in one of the contracts.

President.—They guaranteed the amount of compensation payable.

Mr. Schele.—Do you remember what that country was? Was it Poland?

President.—Yes.

Mr. Schele.—It was not so much the Swedish Match Company as the new monopoly company. They had certain obligations, and they gave the manufacturers compensation by way of shares.

Mr. Mathias.—If you had a monopoly in this country something on the same lines by way of compensation by shares in such new companies as you might form could be considered.

Mr. Schele.—Yes.

President.—Supposing there were five factories and the factory in each area undertook to compensate the smaller factories which would be closed down in order to give a monopoly in that area to that company, that might be possible. Take Bombay for instance; suppose your factory has a monopoly?

Mr. Schele.—All that is a question of terms. The terms must be good enough. If you want us or anybody else to compensate other factories for closing down, that means that the new company, if it is to remain, must get enough profits to pay that compensation and at the same time satisfy its own demand for profits.

President.—You have seen most of the proceedings of the Board. The amounts involved are not very large.

Mr. Schele.—That is just a matter for calculation.

Mr. Mathias.—It is a matter which could really be dealt with by the Collector or the Deputy Commissioner of the district concerned.

Mr. Schele.—Yes. The only thing there is that there must not be put a premium on business inefficiency which may happen very easily. Somebody has put up a factory without knowing the first thing about it and then after two or three years he gets his money back. If that happens in many industries, it will be detrimental to trade as a whole.

President.—Once these factories have been closed down, no new factories would be allowed to be put up without licence.

Mr. Schele.—Supposing some factories have closed down for inefficiency, then this system of monopoly and license comes along and they get all their money back.

President.—It is a small matter.

Mr. Schele.—It is not where there are so many factories as in this country that have been closed down. There are hundreds of them—these smaller factories—in Calcutta and then you have another class of factories at present who are carrying on making half a case a day although they have a capacity of 50 in order to show that they are operating.

President.—What do you think that they hope to get?

Mr. Schele.—The full value of their capacity.

President.—Who pays that?

Mr. Schele.—I only say that there may be difficulties in that way.

Mr. Mathias.—We have a fair record of the live factories for instance in our proceedings.

Mr. Schele.—I quite realise that. I say that unless these things are laid down, it would be rather difficult.

President.—It would be a very simple matter.

Mr. Schele.—Then the procedure would be that only those factories that are working to their full capacity in a regular economical way would be compensated.

President.—It does not depend on that at all. If a factory is closed down owing to inefficiency or bad equipment or anything like that it has gone out. But supposing a factory carries on as you say, there are very well known principles which govern the acquisition of property by Government by paying the market value *plus* so much.

Mr. Schele.—Then of course the market value of a factory, even if it is not running, will be the same as that of a factory that is running.

Mr. Mathias.—It depends on the profit.

Mr. Schele.—You cannot capitalise the profit in the case of the match industry as it is at present.

President.—There are various well known principles by which property is acquired every day by Government. Supposing they require a site for a building where there is a factory, they acquire that site. They go to the Court and the Court decides what is the value of a factory.

Mr. Schele.—Say for argument's sake I have a factory with a capacity of 25 cases a day but turning out only 10. I only get a certain proportion of my capital for that factory.

Mr. Mathias.—Will your factory be working at a profit?

Mr. Schele.—I don't make a profit at all on account of these particular conditions.

President.—You have got your plant, equipment, land, etc. and they are all valued. We don't lay down any principle.

Mr. Schele.—I have a factory with a capacity of 25 cases but I only make ten cases on account of inefficiency or bad management. In that case, will that factory get its full capital back?

President.—I could not tell you that.

Mr. Schele.—That makes it so difficult to express an opinion on certain of these points.

President.—That is for Government to do. Government has got a regular machinery for that sort of purpose and it is a well known machinery. It may apply that machinery or it may do it by private agreement, if it actually requires that particular factory, but it may also say 'we don't want to do anything'. Supposing Government takes no action and the factories are all closed down and after the factories have closed down, Government says 'we will start manufacturing'. Government can do that. But it is doubtful whether Government will do that.

Dr. Matthai.—Supposing you were considering the question of acquiring a factory of that kind, on what basis would you do it?—a factory with a certain capacity but producing below that capacity?

Mr. Schele.—Do you mean for the purpose of closing down a factory?

Dr. Matthai.—Yes.

Mr. Schele.—If I had a monopoly, I would certainly not do it. But if I was really a judge

Dr. Matthai.—As a business proposition?

Mr. Schele.—That is what makes it so difficult. That depends on at which stage I can come to an agreement with the other man. I have no power.

Dr. Matthai.—You can get some kind of working basis for a certain number of years.

Mr. Schele.—If I have power, I will say "look here, I pay you so much because you are working. Your position is such. I have fiscal power". But if I am just a business man I have to buy the concern at the price at which the proprietor is willing to sell.

Dr. Matthai.—Supposing you took the average output for a certain number of years and the average profit for a certain number of years, and worked on that basis, you could get some kind of principle. The thing is not impracticable.

Mr. Schele.—If I am going to close down a factory what it has turned out in the past is of no great consequence.

President.—If there is any company in the world which has got experience of buying factories, it is the Swedish Match Company, is it not so?

Mr. Schele.—Yes.

President.—It always buys and it always arranges quite nicely. Why should there be any greater difficulty here?

Mr. Mathias.—There would not be any difficulty in appointing a Government valuer, would there?

Mr. Schele.—In that case it is a question of the factories that are working. That is a special feature of this country at present that there are so many factories which are just kept alive at present because they expect that this enquiry will turn out in their favour in some way or another.

President.—That is a question which will be considered hereafter. We are only concerned with what might be necessary to-day in case Government decided on a monopoly, either a Government monopoly or a private monopoly, and Government might do what other countries have done, and there the experience of the Swedish Match Company might be very valuable, because it has acquired factories in so many countries.

Mr. Schele.—Yes.

Mr. Mathias.—Then you think that a system of Government monopoly might work?

Mr. Schele.—Yes.

Licensing of match factories.

President.—There is one other general question. Supposing there was no monopoly, but there was protection and there was an excise duty and that sort of thing. Government simply said "we won't allow any factories to be built without a license in order to prevent overproduction". For instance supposing all the existing factories remained and anybody wants to start a factory in Bombay—we will put it that way—Government can say 'no', we shall not give you a license to build a factory in Bombay. Build it either in Madras or in any other place where there is no other factory. Do you think that might have the effect of stopping overproduction?

Mr. Schele.—Yes, that will certainly help matters.

President.—On the Bombay side you have so many factories tapping markets which are not their natural markets at all.

Mr. Schele.—That is so.

President.—So that licensing of factories may I think be resorted to in any case?

Mr. Schele.—Yes.

President.—It would be a useful thing to introduce.

Mr. Schele.—I think that would be a good thing.

President.—As regards the refusal or cancellation of a license it is a very serious thing. What machinery would you suggest for that? Who is to determine whether a particular license should be granted in a particular locality or not?

Mr. Schele.—I should say the Government executive in each place.

President.—This is a central subject now. It cannot entrust the local Government with that power.

Mr. Schele.—I understand that Local Governments in many instances act as agents for the Central Government.

President.—It is the Central Government which must ascertain where a new factory is required. It may be that a particular local Government may say to the Central Government "we want a factory to be established here". In that case also the Central Government has to decide whether there is room for a factory in that particular province; whichever way the application comes, it is for the Central Government to consider, is it not?

Mr. Schele.—Yes, in the final stage.

President.—No, in the first stage.

Mr. Schele.—Otherwise the Local Government would be quite capable of deciding this matter having certain points laid down for their guidance.

President.—It is the Central Government which is interested in matches and therefore it is for the Central Government to say whether a license shall be granted or not.

Mr. Schele.—But through their agents or through the local Governments.

President.—Why?

Mr. Schele.—There is nobody else on the spot. If they have their own man in Bombay they can have him as their agent.

President.—The idea would be if a factory is required and an application is made for a license the Central Government has to consider whether the license should be given or not, and I am asking you whether it is not for the Central Government to decide that, and if so what machinery do you suggest?

Mr. Schele.—I have no objection at all to the Central Government doing it. I only thought it would be a good thing to allow the local Government to do it. I know of course that there you run the risk of a local man wanting to favour a man in his own place. But I thought that was the usual way of Government procedure.

President.—That would lead precisely to the same result, namely that there might be overproduction in certain parts of the country and no production in other parts. It is against that the remedy is required.

Mr. Schele.—The matter can ultimately be decided by one man up in Delhi or Simla on the merits of the case.

President.—That is what I mean: there must be some licensing authority appointed by the Central Government for that purpose.

Mr. Schele.—Yes.

Mr. Mathias.—Do you think that there is any real danger of more factories being started for match manufacture?

Mr. Schele.—Yes.

Mr. Mathias.—Even now with the present level of prices?

Mr. Schele.—Yes. Several factories are expanding at present and others are being built.

Mr. Mathias.—Some people have represented to us that factories are closing down.

Mr. Schele.—I have not noticed any closing down.

Mr. Mathias.—On the Calcutta side in particular.

Mr. Schele.—Those must be some of the one gross factories which are of no consequence, but actually the fact is that orders are now being placed for more machinery and extensions are being made.

Mr. Mathias.—Then the present prices must give a very fair profit, must they not?

Mr. Schele.—No. I think people imagine that matches are something wonderful in the way of profit making! It has got a certain grip on people's imagination.

Mr. Mathias.—There is a rude awakening waiting for them, is there not?

Mr. Schele.—Yes.

President.—There is a proposal that if a license is to be insisted upon by Government, one of the conditions of license should be that Government should insist upon a certain number of Indian directors, a certain amount of Indian capital and so on. Do you think you would agree to such conditions? Would you be able to comply with them? It is not necessary for Government to say that there shall be 75 or 80 per cent., but such percentage as Government, may regard reasonable.

Mr. Schele.—I think that is sound, and as a matter of fact, as you know, our policy here has been to extend a share to the Indian public as soon as we can see profits. That has been our declared policy all along, but we have not been able to do it so far.

President.—What about the number of Indian directors on the local boards?

Mr. Schele.—I don't quite follow.

President.—The position may be this. You float a company and you say the Swedish Match Company becomes a shareholder in that company and the other shares are given to Indians, and if your policy is to be accepted here, the Swedish Match Company will necessarily insist upon a majority of shares in that company, would it not?

Mr. Schele.—I suppose so.

President.—That would be the position?

Mr. Schele.—Yes, seeing that it was our own show, otherwise it would be giving it away more or less.

President.—You would not be satisfied unless you got a majority of shares in every company in which you are interested.

Mr. Schele.—I would not say that, but in our own company.

Mr. Mathias.—You mean every company which you float?

Mr. Schele.—Yes, based on our own factories here.

Dr. Matthai.—That is to say if Ambarath and Calcutta were organized into two public companies, in both these companies you would expect a majority of shares for the Swedish Match Company?

Mr. Schele.—Yes, it is simply ordinary self-preservation, otherwise what can prevent others from pushing us out any day?

President.—But you would be willing to have on the company, say, 49 per cent. of the directors Indian?

Mr. Schele.—I am afraid we would have to chip some of the directors in parts in that case: it is rather difficult to take 49 per cent. of five directors:

Mr. Mathias.—You can take it this way—2: 3?

President.—Take the number of directors which would just give you the majority?

Mr. Schele.—That will do, I think.

President.—As regards the shares you would expect the same thing?

Mr. Schele.—I would like naturally to put things like that before my Board at home. I am only expressing myself on the probabilities.

Dr. Matthai.—Would you anticipate any difficulty about having a majority of shares for the Swedish Match Company and a majority of Indian directors?

Mr. Schele.—No.

Dr. Matthai.—That would be quite a practicable thing.

Mr. Schele.—It depends so much on the individual.

Dr. Matthai.—You are choosing your directors in that case because you have the majority of the shares?

Mr. Schele.—I don't see any objection to that at all from the practical point of view.

President.—From the Swedish Match Company's point of view what would you prefer. Government says "We would assign to you five million gross"—just taking that figure as an illustration, a quantity that satisfies you, we will put it that way—"and you can do as you like with your shares", or Government says "In no company shall you have a majority of shares but you may stand to get more business that way" supposing there are five companies.

Mr. Schele.—I cannot express any opinion on behalf of the Swedish Match Company, but as I said a little while ago if we are not in a majority what

guarantee have we got that we are not going to be pushed out of the country after a short time?

President.—In that case the most convenient thing for Government to do would be this. They will say to you "All right we will give you so much production and be done with you".

Mr. Mathias.—Supposing licenses were issued to your factories to produce 2,500,000 gross a year and if you produced more than that you would be liable to have your license cancelled, obviously you would not exceed your license.

Mr. Schele.—No.

Mr. Mathias.—And if it is floated into a rupee capital company you would have five directors of which two would be Indians and 49 per cent. of the capital subscribed in India, would you have any objection to an arrangement of that sort?

Mr. Schele.—On the face of it it seems that it will be all right subject to confirmation of my Board.

Mr. Mathias.—It would guarantee your position and at the same time prevent any possibility of a suspicion arising that you are trying to oust the Indian manufacturers from the rest of the market. Would that be a satisfactory position?

Mr. Schele.—It seems to be the natural consequence of the policy which has been declared by our chairman.

Mr. Mathias.—That would be in accordance with your general policy and perhaps give reasonable satisfaction to Indian manufacturers?

Mr. Schele.—Yes, it ought to give reasonable satisfaction to the country.

Mr. Mathias.—It would as a matter of fact secure the objects which are sought to be secured by the proposal of a special excise without being open to some of the objections to that system.

Mr. Schele.—Yes. The object of that excise on foreign enterprise is to get rid of an unpleasant competitor in an easy way.

President.—Supposing there was an organization and you were allotted a fixed percentage of the quantity and there were no Government control: you could do just as you liked—whether it was a Swedish company or an Indian company, it made no difference—would not that be simpler?

Mr. Schele.—I think the other way is good too—apart from Government revenue: say that it does not exist to-day—I mean this is just what would happen. If you left the industry alone to-day things would stabilize themselves by and by and as soon as we saw that we made reasonable profits we would float our companies with rupee capital, and with Indian directors. That is our policy.

Mr. Mathias.—The only result of a system of licensing such as I have been putting to you would be that it would cut short the period of instability and would probably be of benefit both to you and to Indian manufacturers.

Mr. Schele.—There is this disadvantage in licensing that when the position is secure there is no inducement to improve the quality. Profit would be the first consideration.

Mr. Mathias.—Why? You license a company to produce, say, 250,000 matches, which is the economic unit according to your own statement, why would that prevent that company from reducing costs and turning out good matches? If they turned out bad matches they won't be able to sell them.

Mr. Schele.—Because licensing I suppose established a balance between production and demand. Even if they made bad matches they would be able to dispose of them because there would be a gap in the market which would have to be filled.

Mr. Mathias.—I say nothing about the balancing of production and demand. Supposing the Swedish Match Company were licensed to produce only say 5 million gross matches in the country, that would not prevent you from keeping up the quality because if you deteriorate your quality you would not be able to sell these 5 million gross.

Mr. Schele.—Say there was a balance between production and demand even if you don't make your matches so nice you would find a sale all the same.

Mr. Mathias.—There would not be a sale because the Indian companies might increase their production.

Mr. Schele.—Would they not be licensed?

Mr. Mathias.—The suggestion was merely that the market for Swedish matches manufactured in the country should be limited to 5 million gross?

Mr. Schele.—Then what would be the object of licensing.

Mr. Mathias.—The object of licensing would be to limit your production to 5 million gross.

Mr. Schele.—You mean the licensing would be directed against us only and that others could do just as they liked?

Mr. Mathias.—It is an alternative to an excise duty on foreign matches.

Mr. Schele.—I did not follow that before.

Mr. Mathias.—You mean as the proposal is put to you you might not give such ready assent to it?

Mr. Schele.—I think it would be very unfair.

Mr. Mathias.—That would not be in accordance with your policy? it would secure you a market for your production but would not secure you your price, you would still have to fight for your market possibly by reducing your price?

Mr. Schele.—In a way of course it comes to the same thing as I said yesterday that we are satisfied with having 50 per cent.

Mr. Mathias.—You would still have competition.

Mr. Schele.—We don't mind competition; on the contrary we like competition because we know in the long run we will come out on top.

Mr. Mathias.—And with competition your quality of goods would continue to improve?

Mr. Schele.—Yes.

Mr. Mathias.—So you still think that the proposal would be very unsatisfactory to you?

Mr. Schele.—I would like to put that also before my Board at home.

Mr. Mathias.—You will think it over and perhaps let us know.

Mr. Schele.—This question must be decided in connection with the possibility of import. That is a very important point.

Mr. Bierman's affidavit.

Dr. Matthai.—Comparing these two affidavits, Mr. Schele, I take it that one point which is contested by Mr. Bierman is that threats have been used?

Mr. Schele.—Yes.

Dr. Matthai.—Apart from that fact the statements are accepted?

Mr. Schele.—The complaints, as far as I remember, are that we simply approached them for co-operation. But I cannot say without seeing their affidavit.

Dr. Matthai.—In this statement of Mr. Fatehally for example we find "Mr. Bierman informed me that arrangements had almost been completed with one of the Indian match factories for the taking up of this factory by the Western India Match Company and as a result of this he expected all the other match factories to follow suit". This statement is not denied by Mr. Bierman in his affidavit and therefore I take it that it has been accepted.

Mr. Schele.—I attach very little importance to that.

Dr. Matthai.—Apart from the degree of importance that you attach, from the fact that there is no reference to it in Mr. Bierman's affidavit, we can take it that this statement is accepted.

Mr. Schele.—I will ask him about it.

Dr. Matthai.—The other point is “He informed me that as a result of this amalgamation he expected that he would be able to control all the match factories in Bombay”. This statement is also not denied by Mr. Bierman. I take it that this statement is accepted too.

Mr. Schele.—I shall point out these two points to him.

Dr. Matthai.—As I look at it, the only point that is denied by Mr. Bierman is the fact that threats were used.

Mr. Schele.—He looked upon it as the only point that would interest the Board.

Dr. Matthai.—The question that would interest the Board is whether he expected that you would be able to control all the match factories in Bombay. This statement is not denied by Mr. Bierman and I should like to know whether we may take it as being accepted by Mr. Bierman?

Mr. Schele.—I would like to have his statement on that point too.

President.—We have discussed all the points in the circular letter subject to what you have to say on the points you have made a note of. Would you send us a note on these points?

Mr. Schele.—I would rather like to have the favour of being heard again.

Dr. Matthai.—We would like to have a statement before you come up for oral examination again as to the points which have been raised this afternoon on the various aspects of this organisation.

Mr. Schele.—I have given by views rather freely.

Dr. Matthai.—It would be rather useful to have your considered statement.

President.—I think that it would be better if you gave us a note on the discussion that has taken place to-day: especially as regards the attitude of the Swedish Match Company on the various points. I think that would help us. You might let us have it as soon as possible. You will have to cable home I suppose.

Mr. Schele.—Yes, I will cable home and get you a reply.

President.—I would like you also to consider the question as to what terms you would expect under these various schemes.

Mr. Schele.—Yes, it is very difficult for a company like the Swedish Match Company to give their terms in advance to a body like the Tariff Board.

President.—Is the Tariff Board a very unbusiness-like body?

Mr. Schele.—You are not authorised to take any action, you are simply investigating the matter and it is after all a business proposition. In that case it would be concluded between the Government of India on the one side and the Swedish Match Company on the other side.

President.—Is it not important from the point of view of the Swedish Match Company to give us all the information that we require on these various points in order that we may be able to consider the proposals that are before us?

Mr. Schele.—Yes, if it is a definite proposal.

President.—In the first place we do not know at present what the proposals are to be.

Mr. Schele.—That is the trouble.

President.—In the next place we cannot make any such proposals because as you know we have no authority to do it.

Mr. Schele.—That again raises rather difficult issues for the Swedish Match Company because we know that you are not in a position to make definite proposals.

President.—We are in a position to suggest alternatives to Government and Government sometimes do accept our proposals. To that extent don't you think that it is important that you should put us in possession of all such information as may be necessary for us to formulate our proposals.

Mr. Schele.—That is for my directors to decide. I shall cable this home.

President.—You can say that the Tariff Board is desirous of exploring all these various alternatives and as far as possible we require this information to enable us to consider these proposals.

Mr. Schele.—That is what I intend to do.

President.—One or two suggestions have been made about the sales organisation of yours. It has been suggested that a ring has been formed in Bombay by your sales organisation owing to which no matches manufactured by any of the other Indian companies can be marketed in Bombay at all and the only brand that is really found made by an Indian factory in Bombay is the Pistol Brand, is that right?

Mr. Schele.—Except that the ring was originally formed by our own selling agents, Messrs. Abdulali. It was their idea. When we started our own selling in Bombay, we simply continued the system which they had adopted in order to ensure smooth and regular sale in Bombay.

President.—It is an ordinary business arrangement by which your agents are not allowed to sell other people's matches on commission?

Mr. Schele.—Yes.

Mr. Mathias.—You have some arrangement by which an extra discount is allowed to them if they sell a certain proportion of imported matches, is that correct?

Mr. Schele.—No.

Mr. Mathias.—There is no such arrangement.

Mr. Schele.—No, not as far as I know.

Mr. Mathias.—The only condition is that if they sell your matches, whether Indian or imported, they shall not handle any one else's.

Mr. Schele.—Yes. I think we have some stipulation about price cutting. This ring was originally formed to prevent price cutting, because some of these dealers were cutting into their profits and as a consequence all the other dealers came over to us and undoubtedly they were dissatisfied.

Mr. Mathias.—And the difficulty was got over by this pooling arrangement.

Mr. Schele.—Yes, by the association of dealers.

President.—The Association of dealers we understood worked in this way. You keep a certain percentage in your own hands.

Mr. Schele.—Yes, to avoid price cutting.

President.—And then you divide that in proportion to the sales, is that right?

Mr. Schele.—Yes.

President.—What is the difference kept in your hands?

Mr. Schele.—I don't remember what it is now. I have been away for some time.

President.—But that is the system, is it not?

Mr. Schele.—Yes.

Allegation regarding attempt to lower reputation of Indian matches.

President.—A suggestion has also been made that you put into the market inferior matches at a very low price in order to damn the reputation of the Indian made matches.

Mr. Mathias.—You put in small quantities of 50 cases at a time.

President.—What do you say to that?

Mr. Schele.—I would just say this regarding all these allegations generally that it seems impossible for us to do the right thing. If we make first class matches which are admittedly good matches and sell them at a reasonable price our competitors complain that they cannot sell at a profit and through our fault they are making a loss. If we make the second quality with Indian splints, they say that we do it in order to bring Indian matches into disrepute, and if we don't use Indian wood we would be blamed for using only

foreign material. The same thing applies to our sales of machinery and raw materials. We are reproached that we are doing it in order to monopolise supplies. I just want to point out that whatever way we do we seem to do the wrong thing. For instance this allegation regarding the second quality is ridiculous.

Mr. Mathias.—You put these very inferior matches on the market which were produced as you say by accident. I have seen some of them.

Mr. Schele.—I have my files for your inspection to show how the whole thing originated.

Mr. Mathias.—These you put on the market at 14 annas a gross.

Mr. Schele.—Out of 800 cases 500 cases were put on the market at 14 annas because they could not be sold at any other price.

Mr. Mathias.—The sale of these matches might bring rather a bad reputation on Indian made matches.

Mr. Schele.—I think that it would bring bad reputation on us, if anything. We had either to scrap matches worth Rs. 40,000 or sell them. We did not like to take a loss of Rs. 40,000 at a time like this. But if there is any suspicion at all on the Board's part that we have not been *bonâ fide* I would like to show the correspondence that I have in my files to the Board.

President.—Correspondence with whom?

Mr. Schele.—With our factories and with the selling agents.

President.—I don't think that it is necessary to go into that question.

Mr. Schele.—I am very anxious to prove to the Board that these allegations are unfounded, so that they might not be repeated. These allegations have been made to the Board.

President.—May I take it that this is the only time when you have put these very inferior matches on the market?

Mr. Schele.—Yes.

President.—It is not your consistent practice to put on the market bad matches from time to time.

Mr. Schele.—Certainly not. Why we made second quality was due to an insufficient supply of aspen.

President.—Were you short of aspen?

Mr. Schele.—Yes, we had to keep our factory going. I have got that in the correspondence.

Dr. Matthai.—I suppose that there was a somewhat similar case in Mandalay.

Mr. Schele.—The Mandalay case was different altogether. There was nothing else to be had but that wood.

President.—What about your Calcutta matches? Some of them are not good.

Mr. Schele.—That depends on the quality of wood.

President.—Those are inferior matches (referring to samples).

Mr. Schele.—They are matches made by mistake.

President.—They seem to be very bad.

Mr. Schele.—Yes, they are.

President.—They light all right.

Mr. Schele.—There is nothing wrong except the splints. It is exactly the same composition.

Dr. Matthai.—They are fairly good splints.

Mr. Schele.—Yes. It would please me very much indeed if I could get a chance to prove that these allegations are unfounded.

President.—If you think that it is necessary for you to give any explanation we should be prepared to hear it but I think that the Board does not question your statement that this happened owing to those particular circumstances.

Mr. Schele.—I am not merely thinking of this allegation only but of the one hundred and one allegations that are put up against us. They are a stigma on my company.

President.—We have examined you on most of the points which occur to us as being important. We might have missed some points. But if there are any such points we should be very glad to give you an opportunity of telling us.

Mr. Schele.—Does the Tariff Board feel that we have cleared our name in that respect? That is the whole point as far as myself and my company are concerned. This week for instance in the "Commerce" there is a very long article against us.

President.—I am afraid we have not seen it.

Mr. Schele.—It is simply a reprint from the Industrial Trade Review for Asia which has been sent to the Tariff Board as the only basis in many instances of the allegations against us. It is obvious that some interest outside India is trying to injure us.

President.—We have not seen the article.

Mr. Schele.—I believe you have seen the Industrial Trade Review for Asia.

President.—We have I think examined you and others on that point.

Dr. Matthai.—Most of the points raised in that article we have discussed with you incidentally.

Mr. Schele.—What I want to know is if a stop could be put to these things.

President.—How can we stop anybody from publishing anything?

Mr. Schele.—Here is a letter (the Board's circular) going about the whole country and in that letter they read "In pursuance of this policy (of securing a controlling interest), it is alleged the Trust aims at securing a dominating position in India, partly by eliminating the smaller Indian concerns by means of unfair competition....."

Mr. Mathias.—So it has been alleged.

Mr. Schele.—If I have been able to prove that it is not so, it should not be repeated any more.

President.—We cannot give you our finding but we are prepared to hear you on any points you want to give evidence.

Mr. Schele.—If I am able to prove that we have not reduced our prices with the object of eliminating competition in an unfair way, I say if I have been able to prove that to the Board's satisfaction would it not be possible for the Board to issue a statement to that effect.

Mr. Mathias.—Then we shall certainly say so at the time of writing our report.

Mr. Scheme.—In the meantime this letter of yours is read by the whole country and people will say this is what has been alleged against the Swedish Match Company and probably it is correct.

President.—We have only asked for opinions on the allegations which have been made against you.

Mr. Schele.—When you receive the replies from the Chambers of Commerce and Associations; they will start from the position that anyhow there is no smoke without fire, that there must be something in these allegations and whatever they recommend the Swedish Match Company must go because these things have been alleged against them.

President.—Take any case that goes to court. Both parties allege various things against each other while the case is going on. The court is perfectly helpless. Each party is entitled to say what it likes within limits. We sit more or less like a court and we are bound to hear both parties. If you have to make allegations against them you can make them.

Dr. Matthai.—You can certainly wait until our report is published.

Mr. Schele.—If it were a court that court would not ask public bodies in the country for their opinion on the basis of things that have been alleged. If it was a court trying a case it would not ask people outside to give an

opinion on the basis of such allegations, which had been made inside the court.

President.—But the court asks for the assistance of the public in a different way. There are interested parties there who present their case to the court and the court says those are the points at issue. Any newspaper may take that down and publish it. The court cannot stop it.

Mr. Schele.—That is a newspaper report but statements are not handed in by the court regarding the matter to parties outside for their consideration and opinion.

President.—Not to outsiders; those are parties who have made the allegations. Supposing there was a case going on the court you make an allegation there and the other side makes allegations against you and the court says "Here are these two allegations made, what have you got to say to that"? That is perfectly legitimate.

Mr. Schele.—Suppose there was a case before the court between two parties and it was alleged against one party that he had been behaving badly, cheating people, forging and so on, then the court had to decide whether "this man is fit to be appointed to a responsible position". Whilst the case is going on would the court ask the Chamber of Commerce "Here is Mr. so and so; it has been alleged that he has done all this, we don't express any opinion, but would you consider and tell us whether he is suitable for the post"?

President.—I don't understand it.

Mr. Schele.—Perhaps I am too sensitive.

President.—In this case we are holding a sort of judicial enquiry. We say there are these allegations made against you. You may make any allegation you like against them and we want to know what is your view as regards those points. We are not exactly a court. If we were a court we would send for those people and ask them to give evidence before us and tell us what they think about the points. We are not in that position. This is the only way by which we can ask people to come and assist us.

Mr. Schele.—I quite appreciate that.

President.—A court will issue summons against the Chambers to come and give evidence. I cannot do that.

Mr. Schele.—What I mean is this, that if we prove, as we feel we have done, that these allegations are unfounded, it is a pity that they should continue to live in the minds of people.

President.—That happens in other cases. Supposing it were a libel case?

Mr. Mathias.—When we were investigating into the Steel industry the Tata Iron and Steel Company made certain allegations against the railway Companies. They were given in public evidence and they were taken down and reported in the newspapers. But until we issued our report we expressed no opinion. When we issued our report we said that the allegations were unfounded.

Mr. Schele.—In that connection neutral bodies were not called upon to make a statement as to the suitability of the railway companies for India.

President.—These are not neutral bodies; they are interested in the industrial development of India.

Mr. Schele.—They are not directly concerned.

President.—They are.

Mr. Schele.—So much the worse. If I sit in the Chamber of Commerce not as a match manufacturer and I get this letter. I think to myself what is the best thing for India. I am in a responsible position and I have been asked for an opinion. Then I read this and notice that there are two ways of doing this, one is with the Swedish Match Company and the other without it and if I have to decide which one is the best I would say against the Swedish Match Company because there have been these allegations against them; which may be unfounded: but after all there is no smoke without fire and I would therefore rather vote against them.

President.—You also suppose that if they gave their opinion we would necessarily accept that.

Mr. Schele.—I don't.

President.—That is the point. We want to know their opinion but we are the final judges as to whether we should accept their opinion or not. We are not in a position just now to say anything. We don't know what they have got to say.

Mr. Schele.—The trouble is they won't say how they arrive at an opinion. But after all the opinion of bodies presented to the Board will be seriously considered as representing the opinion of the business community.

Mr. Mathias.—As to the methods by which we should organize the industry.

President.—I am afraid you are too sensitive, but I think whenever any public enquiry takes place on a subject like this a lot of allegations are usually made, a lot of mud is thrown by one side against the other, and after all it is in the final judgment that any opinion can be expressed by the court and in this case by ourselves. But we can assure you that we have formed no opinion on any of these points.

Mr. Schele.—But I wish to record my presentation of the fact in the hope that it will be officially stated in your final report.

President.—In our final report, if we are satisfied that these allegations are not true we shall say so and if we are not satisfied we shall also say so.

Mr. Schele.—That is why I raised this point. If there are any doubts in the minds of the Board I have got very much evidence to tender.

President.—I cannot say whether we have any doubts in our minds because the Board has not formed any opinion.

Mr. Schele.—I should like to show additional evidence.

President.—You are at liberty to do so.

Mr. Schele.—I have got much evidence on many points.

President.—On what points?

Mr. Schele.—On Adamjee's allegations against us in Rangoon.

President.—We examined you on those allegations.

Mr. Schele.—I don't know if my evidence was sufficient to dispel them.

President.—I don't think we would like you to leave this Board under any impression that you are not having a free say in the matter and we are very anxious that you should have every opportunity of explaining for instance what is alleged against you. If you like you can send my colleague, Mr. Mathias, who would be here in Bombay during the Christmas holidays any information that you have got or you can send us a statement. We shall read it and if necessary we shall examine you on those points. Does that suit you?

Mr. Schele.—I am very much obliged to you.

President.—It is absolutely essential that if you feel that allegations which are quite unfounded, have been made that you should have an opportunity to refute them. It is obviously your duty to refute any such allegations and we should be very glad to see you do so.

Mr. Schele.—I understand that allegations have been made in camera.

President.—Nothing has been said in camera.

Mr. Schele.—I understand that one of the manufacturers, namely the Bombay Match Works wanted to give evidence in camera because they wanted to attack us.

President.—I think I may tell you that at that time your evidence had not been published. We knew that you were going to allow the evidence to be published but actually an announcement to that end had not been made and we agreed that we should give them the same indulgence as we gave you: that the evidence was allowed to be given in camera. In your case we allowed you to tender evidence in camera until you were in a position to get instructions from your home office. In their case the evidence was taken in camera on the

understanding that it would not be published until you had given evidence. But now in the ordinary course the whole of their evidence will be published.

Mr. Schele.—I should be very much obliged if we could be acquainted with those allegations, so that we might be able to put in a full statement covering all points.

President.—So much evidence has been taken that I do not really remember what was done but my recollection is and my colleagues remind me that the only evidence that was taken in camera was as regards their costs and nothing about the Swedish Match Company. The whole of the proceedings will be published.

Mr. Schele.—I only go by the notes that we have made of the proceedings. I may be wrong. If I have the Board's assurance that all allegations will be communicated to me that will be quite satisfactory.

President.—I have no recollection of what they said. It has really left no impression on my mind. However, I am giving instructions to the Secretary to get those portions of the evidence which were taken in camera typed and if there are any allegations made against you which need explanation a copy will be sent to you as soon as possible.

Mr. Schele.—I am very much obliged.

President.—As I say you can hand over any files you like to my colleague and you can also send in a written statement covering all the points—as full a statement as you like. The point is these proceedings must have some finality and I would like you as far as possible to confine yourself to explaining the circumstances in respect of allegations made against you and not to bring in any new matter which may make it necessary for us to ask for further explanations.

Mr. Schele.—Actually we also have a lot of allegations to make but we won't make them.

President.—Don't bring in any new matter. Let us only have your explanations as regards the allegations made against you.

(Confidential.)*

President.—We will now examine you in camera.

Mr. Schele.—I received a telegram from Sweden to-day which may have a great bearing on the matter under discussion. Unfortunately I have had no time to go through it and I think it would be a good thing to postpone the discussion. I can explain it to Mr. Mathias during the holidays. It may be a waste of time saying one thing now and getting a different version from the telegram afterwards.

President.—We will ask you a few questions in the meantime and you can then send a copy of the telegram to us.

Dr. Matthai.—Have you got the list with you? If you take England there you have got two prices against I-D. What does that difference mean?

Mr. Schele.—That is a difference on account of the trade mark, one trade mark fetching a higher price.

Dr. Matthai.—Which is the superior quality?

Mr. Schele.—I should say partly superior quality and finish and partly more well established.

Dr. Matthai.—The higher one is the one which is in larger demand, isn't that so?

Mr. Schele.—There is more demand for the label which fetches a higher price.

Dr. Matthai.—These letters A, B, C, D, denote quality, don't they?

* N.B.—After their decision to allow the publication of their costs in India the Swedish Match Co. agreed to the publication of all evidence originally taken in camera.

Mr. Schele.—They denote the size; they have nothing to do with the quality.

Dr. Matthai.—If you take No. 3A, that denotes $\frac{1}{4}$ th?

Mr. Schele.—Yes. It is just a difference in the measurement of the box. For instance take 5K and 5E; they are just the same size but there is a difference in the size of the box of a fraction of a millimetre.

Dr. Matthai.—1-D is Indian full size, is it?

Mr. Schele.—That is the standard full size.

Dr. Matthai.—The Indian half size is just 8?

Mr. Schele.—Yes.

Dr. Matthai.—And Indian $\frac{3}{4}$ size?

Mr. Schele.—5-E.

Dr. Matthai.—Can you tell us roughly, if you take the Asiatic countries where you have most competition from Japan?

Mr. Schele.—Hong Kong and Shanghai.

Dr. Matthai.—Phillipines?

Mr. Schele.—I don't think so.

Dr. Matthai.—Dutch East Indies?

Mr. Schele.—They are rather particular about the quality, both Dutch East Indies and the Phillipines.

Dr. Matthai.—Federated Malay States and Siam?

Mr. Schele.—Yes.

Dr. Matthai.—It is just Hong Kong, Shanghai, Federated Malay States and Siam?

Mr. Schele.—Yes.

Dr. Matthai.—What about Egypt?

Mr. Schele.—Very little.

President.—What is the difference between the $\frac{1}{4}$ th and the full size in price in Sweden? How will they fix the price?

Mr. Schele.—I can't say that. I will find that out for you. $\frac{1}{4}$ th is such an odd size that I have not touched it for years.

President.—By the way, would it be a great disadvantage if the $\frac{3}{4}$ size were eliminated from India and $\frac{1}{4}$ th were used?

Mr. Schele.— $\frac{1}{4}$ th size does not sell here at all.

President.—I mean the $\frac{3}{4}$ size?

Mr. Schele.—It is question of public taste.

President.—If the industry was organized it would be better to cut it out altogether in India?

Mr. Schele.—It is difficult to express any opinion. If you have no regard for the public you can do what you like, but if you have regard for the public you have got to maintain it.

President.—Regard for the public in this sense that it is an expensive article to market comparatively and there is no point in it!

Mr. Mathias.—The public does not really mind whether it is $\frac{1}{4}$ or $\frac{3}{4}$ size.

Mr. Schele.—I would prefer to let the public have the $\frac{3}{4}$ size.

Mr. Mathias.—Why not have full size?

Mr. Schele.— $\frac{3}{4}$ size is cheaper.

President.—As a compromise why not have only $\frac{1}{4}$ and not any half size at all: that would be better still?

Mr. Schele.—Yes, that would be one way.

President.—The only thing is that people who pay a little less for the half size will have to pay a little more for the $\frac{3}{4}$ size.

Mr. Schele.—Yes.

Dr. Matthai.—Take your f.o.b. price Sweden for 1, 3-A, 5 and 8.

Mr. Schele.—That is deducting the freight.

Dr. Matthai.—There is no internal consumption in Sweden?

Mr. Schele.—No.

Dr. Matthai.—What are the principal sizes for which there is a market in Sweden?

Mr. Schele.—That is really the 5-E size.

Dr. Matthai.—1-D size does not apply?

Mr. Schele.—No.

Dr. Matthai.—In case of 1-D you have got a larger number of sticks than in others.

Mr. Schele.—Yes.

Dr. Matthai.—As far as the cost is concerned does the number of sticks make any difference? In one 1-D it varies from 50 to 90.

Mr. Schele.—That makes a difference in the cost.

Dr. Matthai.—That is a difference which ought to be taken into account.

Mr. Schele.—Yes.

Dr. Matthai.—It would not be right to work down the cost in the same proportion?

Mr. Schele.—Not quite.

Dr. Matthai.—Have you any idea, if you have, for example, 1-D size with 50 sticks and 1-D size with 90 sticks, how exactly would you state the proportion?

Mr. Schele.—I would like to look into it.

Dr. Matthai.—All the various numbers in 1-D?

Mr. Schele.—Yes.

President.—Would it be possible to get over this monetary unit difficulty by limiting the number of sticks in a match box and thereby reducing the price instead of increasing the price above the monetary unit.

Mr. Schele.—I don't see how that can affect the monetary unit.

President.—In this way: supposing we put an excise duty of, say, 14 annas which makes it necessary to increase the price to the consumer, whereas a duty of 10 annas may suffice to keep the price at the former level. But we want to put a duty of 14 annas and at the same time we don't allow the price to go up by reducing the number of sticks in the match box and selling them at the same price as before.

Mr. Schele.—I don't see how you can prevent the price from going up by reducing the number of splints. Price movement will be irrespective of the number of sticks in the box.

President.—The consumer would soon know.

Mr. Schele.—He would not get the same benefit. If I sell to-day say at Calcutta the full size at Rs. 1-10-0 with 90 sticks per box and then I reduce the number of sticks and increase the price to Rs. 2-10-0, I would be treating the trade badly.

President.—Would it be possible to arrange that by slightly reducing the number of sticks in a box, instead of one box being sold for one pice two boxes may be sold for that amount?

Mr. Schele.—Yes, but the cost of the box will be the same roughly. It does not mean that you have divided the cost into two boxes by reducing the number of splints. We have to make the boxes all the same.

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