

REPORT  
OF THE  
**Indian Tariff Board**  
ON THE  
**MAGNESIUM CHLORIDE  
INDUSTRY**

(Including the Evidence recorded during the enquiry)



CALCUTTA: GOVERNMENT OF INDIA  
CENTRAL PUBLICATION BRANCH  
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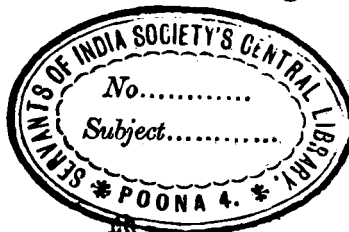
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<b>Secretary</b>	. . . .	{ Mr. R. L. Walker, I.C.S. (from 16th July 1928 to 25th October 1928 and from 4th February 1929). Mr. H. C. Sen (from 26th October 1928 to 3rd February 1929).

## TABLE OF CONTENTS.

PARA.	REPORT.	PAGE.
1.	Terms of reference . . . . .	1
2.	Previous enquiry by the Board . . . . .	2
3.	Subsequent progress of industry . . . . .	2
4.	Available market . . . . .	3
5.	Costs and import prices in 1925 . . . . .	3
6.	Costs in 1927 . . . . .	4
7.	Modifications necessary for estimate of future costs . . . . .	5
8.	Comparative statement of costs . . . . .	6
9.	Differences between Board's estimate in 1925 and present estimate . . . . .	7
10.	Import prices . . . . .	8
11.	Negotiations between Indian and German manufacturers . . . . .	9
12.	Present import price not remunerative . . . . .	9
13.	Effect of sales at Ahmedabad on fair selling price . . . . .	10 <sup>n</sup>
14.	Third condition of Fiscal Commission fulfilled . . . . .	11
15.	No burden on consumer . . . . .	12
16.	Reasonable protection secures consumers' interest . . . . .	12
17.	Conclusion . . . . .	13
APPENDIX.—Statement showing the quantities of various chemicals used in the manufacture of certain cloths . . . . .		14

### EVIDENCE.

1. Government of India, Department of Commerce, Resolution No. 199-T. (8), dated the 16th July, 1928 . . . . .	17
2. Press Communiqué issued by the Tariff Board on the 24th August, 1928 . . . . .	19
3. Questionnaire issued by the Tariff Board for applicants for protection . . . . .	20
4. Pioneer Magnesia Works—	

#### A.—WRITTEN.

(1) Letter from the Commerce Department of the Government of India to the Pioneer Magnesia Works, dated the 31st July, 1928, intimating that the Resolution of the 16th July, 1928, not only refers the Chemical industry to the Board but also any other industry of a similar nature which may be brought to its notice . . . . .	30
(2) Correspondence between the Pioneer Magnesia Works and the Government of India regarding protection to the magnesium chloride industry . . . . .	30
(3) Letter to the Tariff Board, dated the 8th August, 1928, forwarding copies of correspondence with the Government of India, regarding protection to magnesium chloride industry . . . . .	39

4. Pioneer Magnesia Works—*contd.*A.—WRITTEN—*contd.*

	PAGE.
(4) Letter dated the 18th October, 1928, forwarding replies to the questionnaire issued by the Tariff Board . . . . .	42
(5) Letter dated the 9th November, 1928, forwarding copies of correspondence with the Collector of Salt Revenue, Bombay, and with the Okha Salt Works, Limited, regarding additional bye-products plant at Okha and comparative analysis of bitterns at Okha and Kharaghoda . . . . .	66
(6) Letter dated the 19th November, 1928, forwarding an extract from Thorpe's Dictionary of Applied Chemistry regarding magnesium chloride manufacture . . . . .	72
(7) Letter dated the 24th November, 1928, submitting a reply to the Havero Trading Company's statement of the 21st November, 1928 . . . . .	73
(8) Letter dated the 28th November, 1928, regarding the use of magnesium chloride in certain types of flooring tiles . . . . .	75
(9) Letter dated the 29th November, 1928, submitting supplementary statements asked for during oral examination . . . . .	77
(10) Letter dated the 14th December, 1928, regarding price of German magnesium chloride in Germany for domestic consumption . . . . .	79
(11) Letter dated the 24th December, 1928, regarding fuel costs and drums and packing costs and the offer of the Havero Trading Company to sell magnesium chloride to the Sassoon Group of mills at Rs. 2-14-0 per cwt., delivery at mills . . . . .	79
(12) Letter dated the 11th January, 1929, regarding price of German magnesium chloride for domestic and foreign consumption . . . . .	82
(13) Correspondence submitted by the Pioneer Magnesia Works regarding the attitude of the German Magnesium Chloride Syndicate in Indian market . . . . .	83
(14) Letter dated the 14th January, 1929, from the Tariff Board to the Pioneer Magnesia Works giving the summary of the main points discussed in an interview with Dr. Matthai on the 12th January, 1929 . . . . .	94
(15) Letter dated the 15th January, 1929, to the Tariff Board, in reply to the above letter . . . . .	95
(16) Letter dated the 23rd February, 1929, regarding use of Magnesium Chloride as a flooring ingredient . . . . .	95
(17) Letter dated the 23rd February, 1929, regarding imports of Magnesium Chloride into United Kingdom and United States of America . . . . .	97

## B.—ORAL.

(1) Evidence recorded on the 19th November, 1928— Introductory—Earlier estimate of costs—Present costs— Drums—Capital—Working capital—Selling charges— Freights—Magnesia cement—Available market—Manu- facture in Germany . . . . .	99
(2) Evidence recorded on the 20th November, 1928— Foreign competition—Increase in capacity—Foreign prices— Charge of dumping . . . . .	118



**Havero Trading Company, Limited—**

**A.—WRITTEN.**

PAGE.

- (1) Letter dated the 21st November, 1928, submitting a statement regarding the magnesium chloride industry in India . . . . . 130
- (2) Letter dated the 23rd January, 1929, informing that the German text books in hand contain no details about the process of manufacture observed in Germany . . . . . 132
- (3) Letter dated the 8th May, 1929, forwarding a letter from Chemikalien Aktiengesellschaft, Berlin, containing certain remarks about the magnesium chloride industry . . . . . 132

**B.—ORAL.**

Evidence recorded on the 22nd November, 1928—

Introductory—Mr. Lalkaka's case explained—No connection between Magnesium Chloride Syndicate and the I. G.—Activities of the Syndicate—Position of the Havero Trading Company in the negotiation between the Syndicate and the Pioneer Magnesia Works—Relation between the Syndicate and the Chemikalien Aktiengesellschaft—Effect of pools in Magnesium Chloride industry—The scope of the present enquiry explained—Price of magnesium chloride unremunerative in India—Company's request that nothing should be inferred against the I. G.—Another misapprehension about profits explained—Date of further examination and points on which further information is wanted . . . . . 136

**6. Messrs. Purshotamdass Popatlal and Company, Bombay—**

**A.—WRITTEN.**

Letter dated the 15th January, 1929, giving the c.i.f. price of German Magnesium Chloride from 1926 up-to-date . . . . . 148

**B.—ORAL.**

Evidence recorded on the 22nd November, 1928 . . . . . 149

**7. Mr. R. R. Desai, Bombay—**

Letter dated the 30th November, 1928, submitting certain remarks about the evidence tendered by the Havero Trading Company, Limited . . . . . 152

**8. The Indian Merchants' Chamber, Bombay—**

**A.—WRITTEN.**

- (1) Letter dated the 11th September, 1928, submitting the views of the Chamber . . . . . 152
- (2) Letter dated the 28th November, 1928, giving the price of German magnesium chloride in October, 1928 . . . . . 154

**B.—ORAL.**

(1) Evidence recorded on the 23rd November, 1928—

Preliminary observations made by the President—Mr. Vakil's experience in chemical industry—Dr. Venkat Rao's experience—Magnesium chloride—Costs in Khara-ghoda works and in works in Germany—The meaning of by-product—Other by-products from bitters—Change of Government policy advocated—Protection for limited period advocated—Price of German magnesium chloride—Consumption of magnesium chloride in India . . . . . 155

8. The Indian Merchants' Chamber, Bombay— <i>contd.</i>	
B.—ORAL— <i>contd.</i>	
(2) Evidence recorded on the 29th November, 1928—	PAGE.
Magnesium chloride . . . . .	171
9. The Bombay Millowners' Association, Bombay—	
Oral evidence recorded on the 7th December, 1928—	
Introductory—Views of the Association—Membership of the Association—Association's views about magnesium chlo- ride industry . . . . .	173

***Report.***

# Report of the Indian Tariff Board on the Magnesium Chloride Industry.

1. The question of protection for the heavy chemical industry was referred by the Government of India to the Indian Tariff Board under Resolution No. 199-T. (8), dated 16th July, 1928, which reads as follows:—

“ The Government of India have received representations from Messrs. The Eastern Chemical Company and The Dharamsi Morarji Chemical Company requesting that protection may be extended to the marginally noted chemicals. In pursuance of paragraph 3 of the Resolution of the Government of India, Department of Commerce, No. 3748, dated the 10th July, 1923, the Government of India have decided to refer to the Tariff Board for examination these representations along with any others of a similar nature which may be brought to its notice.

Sulphuric Acid.  
Hydrochloric Acid.  
Nitric Acid.  
Magnesium Sulphate.  
Ferrous Sulphate.  
Potash Alum.  
Aluminium Sulphate.  
Sodium Sulphide.  
Zinc Chloride.  
Copper Sulphate.  
Glauber's Salt.

(2) In making its enquiry, the Tariff Board will be guided by the principles laid down in the Resolution adopted by the Legislative Assembly on February 16th, 1923, and will consider—

- (i) whether the conditions laid down in paragraph 97 of the Report of the Indian Fiscal Commission are satisfied in each case,
- (ii) to what extent, if any, and in respect of what articles, or class or description of articles, protection should be afforded, and
- (iii) how its recommendations, if any, will affect industries using these articles.

(3) The removal of the import duties on materials of industry was recommended by the Fiscal Commission and is in accordance with the principle of the Resolution adopted by the Legislative Assembly on the 16th February, 1923. Chemicals are utilised as raw materials in certain Indian industries and the Government of India have decided that, along with the question of extending protection to the manufacture of particular chemicals, the Tariff Board will examine the question of the removal of the import duties on those chemicals which are used as materials in Indian industries.

(4) Firms or persons interested, who desire that their views should be considered by the Tariff Board, should address their representations to the Secretary to the Board.”

It will be observed that magnesium chloride is not among the chemicals specified in the Resolution. Under the concluding portion of paragraph I of the Resolution however the enquiry is not confined to the chemicals enumerated therein but may extend to other chemicals. The Resolution is, therefore, sufficiently wide to cover the application for protection of the magnesium chloride industry. It has, however, been considered more convenient to deal with this application in a separate report as the manufacture of magnesium chloride is entirely independent of the manufacture of sulphuric acid or any of the other chemicals dealt with in our general report on the heavy chemical industry. It is further differentiated in that this is the second occasion on which this industry has engaged the attention of the Board.

2. The Board's first enquiry was held in the latter half of the year 1924; the applicants for protection were the same as in the present instance, *viz.*, the Pioneer Magnesia Works. The Board's report was submitted to the Government of India in February, 1925, and contained a full account of the nature of the industry, of its establishment and growth in India and of the processes followed in manufacture. We do not propose to deal further with such matters, but shall confine ourselves to considering to what extent the conclusions which the Board then reached require re-consideration in the light of later experience. In the course of the previous enquiry it was found that the first two conditions of the Fiscal Commission were fulfilled and we do not propose to re-open that part of the enquiry. In regard to the third condition of the Fiscal Commission, it was held that the industry would never be in a position to withstand foreign competition unaided and did not therefore qualify for protection. Consequently the Board found itself unable to submit any recommendation in favour of the industry. Accepting the opinion of the Board, the Government of India rejected the application for protection.

3. On the information available in 1924 it appeared that the Indian industry faced by severe competition from Germany would rapidly succumb. Such, however, has not been the case. Costs have been reduced in several directions and processes improved until with the assistance of the revenue duty of 15 per cent. *ad valorem* it appeared that the industry was on the point of being firmly established. Output increased from 1,300 tons in 1922 to 2,700 tons in 1927 and it was found possible to dispose of practically the whole of the output in the Bombay and Ahmedabad markets. But the removal of the revenue duty in September, 1927, coupled with the subsequent reduction in the price of imported magnesium chloride from £5-3-9 per ton c.i.f. Bombay and £4-3-9 c.i.f. Okha to £3-19-0 in both ports, has again reduced the industry to a precarious condition, and necessitated a renewed application for protection.

4. The question before the Board in this enquiry is whether the industry will eventually be able to stand without protection and, to reach a conclusion in this matter, an examination of the costs of the Indian industry and of the prices of the imported article is necessary. As a preliminary to the investigation of costs we shall determine the probable future production of the Indian industry. During the four years ending in 1928 the average imports of magnesium chloride, classified as such, have been about 3,000 tons. The greater part of this was imported into the Bombay Presidency for sizing cotton textiles. The local production during the same period averaged about 2,000 tons. Deducting the amounts consigned to other ports, the requirements of the cotton mills in the Bombay Presidency may be taken as some 4,500 tons a year. It is also possible that in future a market may be found to exist for large quantities of magnesium chloride required in other industries. For example, in the manufacture of imitation stone, flooring, etc., much use is made of magnesium cement, of which magnesium chloride is a constituent. We have been given to understand that imported magnesium chloride is already used for making flooring and is imported under the name of flooring composition. The Pioneer Magnesia Works has also recently sold considerable quantities of magnesium chloride for a similar purpose. The present capacity of the Pioneer Magnesia Works is about 3,000 tons a year and in 1927 their sales amounted to 2,694 tons. Should it be necessary, no great difficulty exists in increasing the present output, the main requirement being increased storage for the bitters. Indian magnesium chloride is greyish in colour whereas the German article is white. Although this difference in colour does not affect the quality, some prejudice exists against the Indian product on this account especially in the Ahmedabad market which tends to restrict its sale. Further, the competition of imported magnesium chloride is at present very severe and it is improbable that there will be much extension in the sale of the Indian product for some time. For these reasons we consider that for the purpose of estimating manufacturing costs an output of 3,000 tons may be taken. This was the figure adopted in the Board's report of 1925, as a basis for its estimate of future works costs.

5. It will, we think, render our statement of the case clearer, if we set forth briefly the conclusions at which the Board arrived in 1925 on the subject of manufacturing costs and import prices. The Board's estimate of the cost of manufacture on an output of 3,000 tons was as follows:—

*Manufacturing costs per cwt.*

	Rs. A. P.
Collection and storage of bitters . . . . .	0 4 0
Factory charges . . . . .	0 5 0
Fuel . . . . .	0 7 0
	1 0 0

	Rs. A. P.
Head office and general charges . . . . .	0 4 8
Drums and packing . . . . .	1 0 0
Interest . . . . .	0 1 10
Depreciation . . . . .	0 3 2
	<u>1 9 8</u>
<b>TOTAL</b> . . . . .	<u>2 9 8</u>

To obtain the all-in cost delivered at mill the following charges were added:—

	Estimate per cwt. Rs. A. P.
Railway freight . . . . .	0 8 9
Transport and handling . . . . .	0 7 3
Selling charges . . . . .	0 10 8
	<u>1 10 8</u>

Adding manufacturer's profit 3 annas 9 pies the price required to give a reasonable return on capital was estimated at Rs. 4-8-1. In view of the violent fluctuations of the price of imported magnesium chloride it was considered impossible to forecast with any reasonable certainty the normal or standard price, but for the purpose of determining whether the Indian industry would ever be able to stand without protection, the pre-war price of Rs. 3-4-0 per cwt. c.i.f. or Rs. 3-12-0 delivered at mill was taken. The price required to give the Indian manufacturer a fair return on his capital was estimated at Rs. 4-8-0 per cwt. or allowing for the sale of one-third of the output in Ahmedabad, Rs. 4-4-0. The difference between this figure and the price of the imported article was at least 8 annas per cwt. The conclusion therefore was reached that the Indian industry would never be able to dispense with protection and that the third condition of the Fiscal Commission was not fulfilled.

6. Before attempting to frame an estimate of future costs, we propose to examine the latest works costs available, namely, those of 1927. In that year the output was 2,713 tons. The costs and overhead charges were as follows:—

	Rs. A. P.
Royalty . . . . .	0 0 10
Collection and storage of bitters . . . . .	0 3 6
Factory charges . . . . .	0 4 7
Fuel . . . . .	0 4 0
Repairs and maintenance . . . . .	0 1 5
	<u>0 14 4</u>

	Rs. A. P.
Drums and packing . . . . .	0 13 8
Railway freight to Bombay . . . . .	0 8 5
Transport and handling . . . . .	0 1 1
Selling charges . . . . .	0 4 2
	1 11 4
Head Office and general charges . . . . .	0 2 5
Interest on working capital . . . . .	0 3 10
Depreciation . . . . .	0 1 7
	0 7 10
TOTAL (excluding profit) . . . . .	3 1 6

7. On the whole we consider that the costs for 1927 afford a suitable basis for estimating the fair selling price on an output of 3,000 tons. The following modifications, however, appear necessary for estimate of future costs.

*Factory charges:* these include (a) works labour in the factory and (b) establishment and office charges at Kharaghoda.

(a) is fixed by contract at 2 annas per cwt. of magnesium chloride and is therefore a fixed charge, but with an increased output a slight reduction in (b) is possible. We take the figures for (a) and (b) on full output at 4 annas 6 pies.

*Fuel:* the cost has since been raised from 4 annas per cwt. to 5 annas 6 pies on the basis of the contract for firewood for the current season.

*Drums and packing:* these are estimated at 10 annas 6 pies on the current invoice price of drum sheets and on the making charges as given by the Company.

*Transport and handling:* the low rate of 1 anna 1 pie in 1927 is abnormal and due to unusually large supplies to Ahmedabad and up-country where distances to mills are less and labour charges lower. The Company's estimate of future cost is 5 annas on the basis of double handling in Bombay but if double handling is gradually eliminated as the Company expects, the figure should be reduced to 4 annas per cwt.

*Selling commission:* this is now paid at 5 per cent. on the price realised at mill. On a price of approximately Rs. 3 a cwt., the commission amounts to 2 annas 6 pies. To this must be added discounts to mills, short weight allowance, etc., which may be taken at about 1 anna 6 pies making a total of 4 annas.

*Repairs and maintenance:* these charges in 1927 amounted to 1 anna 5 pies and part of this was due to the floods which occurred in that year. The normal figure may be taken at one anna.

*Head office and general charges:* the total expenditure under this head was Rs. 7,500 which on an output of 3,000 tons gives an incidence of 2 annas per cwt. To this must be added rent, taxes, insurance, etc., which amount to 8 pies per cwt. bringing the total up to 2 annas 8 pies.



*Interest on working capital:* working capital has been taken at 9 months production at works cost, i.e., Rs. 1,20,000 and interest allowed at  $7\frac{1}{2}$  per cent. On an outturn of 3,000 tons the incidence is 2 annas 5 pies per cwt.

*Depreciation:* replacement value of the plant is taken at Rs. 1,20,000, i.e., the total block value Rs. 1,52,000 *minus* the cost of a motor lorry (Rs. 32,000) which has proved useless. Depreciation is allowed at  $6\frac{1}{2}$  per cent. On an output of 3,000 tons the incidence is 2 annas per cwt.

*Profit:* this is taken at 10 per cent. on Rs. 1,20,000 which gives an incidence of 3 annas 2 pies per cwt.

With these modifications our estimate of the future fair selling price of magnesium chloride delivered at mill Bombay becomes Rs. 3-4-6.

8. For convenience of reference we set forth below a statement showing the all-in cost of manufacture delivered at mill for 1927, the Board's estimate in 1925 and the present estimate of future production costs on an output of 3,000 tons per annum:—

Comparative statement of costs.

*Fair selling price—Magnesium Chloride.*

	Board's estimate	Actual cost	Estimate of
	on output of 3,000 tons (1925).	on output of 2,713 tons (1927).	future cost on output of 3,000 tons.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
Royalty . . . . .	...	0 0 10	0 0 10
Collection and storage of bitters . . . . .	0 4 0	0 3 6	0 3 6
Factory charges . . . . .	0 5 0	0 4 7	0 4 6
Fuel . . . . .	0 7 0	0 4 0	0 5 6
Repairs and maintenance . . . . .	...	0 1 5	0 1 0
	<u>1 0 0</u>	<u>0 14 4</u>	<u>0 15 4</u>
Drama and packing . . . . .	1 0 0	0 13 8	0 10 6
Railway freight to Bombay . . . . .	0 8 9	0 8 5	0 8 5
Transport and handling . . . . .	0 7 3	0 1 1	0 4 0
Selling charges, etc. . . . .	0 10 8	0 4 2	0 4 0
	<u>2 10 8</u>	<u>1 11 4</u>	<u>1 10 11</u>
Head office and general charges . . . . .	0 4 8	0 2 5	0 2 8
Interest on working capital . . . . .	0 1 10	0 3 10	0 2 5
Depreciation . . . . .	0 3 2	0 1 7	0 2 0
	<u>0 9 8</u>	<u>0 7 10</u>	<u>0 7 1</u>
Profit . . . . .	0 3 9	0 3 6*	0 3 2
Fair selling price delivered at mill Bombay . . . . .	4 8 1	3 5 0	3 4 6

\* For the purpose of comparison we have added to the actual costs for 1927, 3 annas 6 pies as profit. This is the figure required to give a profit of 10 per cent. on the replacement value of the plant on an output of 2,700 tons.

9. The following are the main differences between the Board's Differences between present and previous estimates:—  
Board's estimate in 1925  
and present estimate.

(1) *Royalty* has now been fixed at Re. 1 per ton of magnesium chloride or approximately 10 pies per cwt. Royalty was not taken into account by the Board in 1925, presumably because it was then fixed on a profit sharing basis. It has since been converted into a fixed charge of 10 pies per cwt. of magnesium chloride.

(2) *Collection and storage of bitters*: wages for this are now fixed by contract on the basis of the amount of finished product. When the Board made its previous estimate, they were paid according to the quantity of bitters collected.

(3) *Factory charges*: these include wages at the factory and office and establishment charges at Kharaghoda. The former are now fixed by contract at 2 annas per cwt. of magnesium chloride and the latter have been estimated with reference to the actuals of 1927.

(4) *Fuel charges*: the fuel used is wood. The fall in price is sympathetic with the fall in the price of coal in recent years. Fuel charges are now paid for on the basis of the amount of the finished product. They have been fixed during the current season at 5 annas 6 pies per cwt. of magnesium chloride.

(5) *Repairs and maintenance*: expenditure on repairs is incurred at irregular intervals. The expenditure is confined mainly to repairs or renewals of the copper pans in which the bitters are heated. In the years 1926 and 1927 the average expenditure on this account was nearly 2 annas per cwt., but part of this was due to damage caused by floods. The normal figure may be taken at about one anna per cwt. The item was not considered separately in 1925 but was included in factory charges.

(6) *Drums and packing*: the actual cost in 1922 was given as 9 annas 9 pies but this was misleading (*vide* page 8 of the Report) and the Board made a tentative estimate of Re. 1. The present estimate (10 annas 6 pies) is based on the current invoice for drum sheets and making charges as given by the Company.

(7) *Railway freight to Bombay*: the figure 8 annas 9 pies in the 1925 estimate is an approximate figure. 8 annas 5 pies per cwt. is more accurate.

(8) *Transport and handling*: the reduction is due largely to better arrangements with a labour contractor in Bombay.

(9) *Selling charges*: selling commission is now paid at 5 per cent. on the price realised at mill as against 10 per cent. at the time of the Board's previous estimate. Since the realised price has fallen from nearly Rs. 7 per cwt. to about Rs. 3 per cwt., the amount of the selling commission has also declined.

(10) *Head office charges*: reduction in head office charges as compared with the 1925 estimate is due to (a) abolition of separate

office establishments at Bombay and Ahmedabad and (b) one of the partners in the concern having ceased to receive remuneration for his services. Miscellaneous charges, such as rent, taxes, insurance, etc., are also included under this head.

(11) *Interest on working capital*: in the present estimate working capital is taken at 9 months production, i.e., Rs. 1,20,000 and interest at  $7\frac{1}{2}$  per cent. In 1925 working capital was taken roughly at rupees one lakh and interest at 7 per cent.

(12) *Depreciation*: in the present estimate depreciation is taken at the rate of  $6\frac{1}{4}$  per cent. The replacement value is taken at Rs. 1,20,000, i.e., total block Rs. 1,52,000 minus the cost of a motor lorry (Rs. 32,000) which has proved useless. In 1925 depreciation was taken at income-tax rates on a block value of Rs. 1,42,000.

(13) *Profit*: manufacturer's profit is taken at 10 per cent. on a replacement value of Rs. 1,20,000. In 1925 it was taken at 10 per cent. on Rs. 1,42,000.

10. The present c.i.f. price of imported magnesium chloride at Bombay is £3-19-0 per 1,000 kilos. This represents a price delivered at mill of Rs. 2-14-0 per cwt. at

Import prices. which rate the Haverro Trading Company has offered to supply the Sassoon group of mills. We shall adopt this figure for the purpose of determining whether this industry will eventually be able to dispense with protection and if so, what is the measure of protection now required. We desire, however, to state that the conditions of this industry are such that no normal or standard import price can be determined. Germany enjoys a practical monopoly in the production of magnesium chloride and the whole of the imports into India come from that country. The industry in Germany is controlled by a Syndicate known as the Deutsche Chlor Magnesium Syndikat and the whole export trade is in the hands of their distributors, the Chemikalien Aktiengesellschaft. From such information as we have been able to obtain it appears that the Indian demand represents a substantial proportion of the annual output of magnesium chloride in Germany. The following have been given to us by the Pioneer Magnesia Works as the ruling prices of German magnesium chloride c.i.f., different ports per 1,000 kilos. :—

Great Britain.	Australia.	India.
£5-10-0 to £6*	£7 to £7-10-0	£3-19-0

It will be observed that the price in India is by far the lowest and it appears not improbable that an abnormally low price has been fixed in India in order either to destroy or to bring to terms

\* The Chemikalien Aktiengesellschaft have since informed us through the Haverro Trading Company that the c.i.f. price in England is £4 and not £5-10-0 to £6 as stated by the Pioneer Magnesia Works. We notice, however, that the current market price of magnesium chloride in Manchester is £7-5-0 which seems to correspond with a c.i.f. price of £5-10-0 to £6 rather than £4. We understand that the charges above the c.i.f. price, excluding commission, in Manchester, do not exceed £1-1-0.

the Indian industry. The course of recent prices lends strong support to this view. During 1925 the sales of the Pioneer Magnesia Works were 1,100 tons mostly in Ahmedabad. With comparatively little competition from the local industry the price of German magnesium chloride c.i.f. Bombay was fixed at £5-15-0 per 1,000 kilos. or practically the same price as in Great Britain. In 1926 production in the Pioneer Magnesia Works increased. Sales totalled 2,000 tons and competition extended in the Bombay market. In November 1926 the price of magnesium chloride was fixed at £5 per 1,000 kilos. c.i.f. Bombay. Sales of Indian magnesium chloride, however, continued to increase and early in 1927, apparently with the object of depriving the Pioneer Magnesia Works of its internal market, which up till that time advantages of freight had enabled it to retain, a rebate of £1 per 1,000 kilos. was given on magnesium chloride consigned up-country. In the following year the c.i.f. price of magnesium chloride sold in Bombay was reduced so as to bring it down to the same level as that sold up-country, viz., £3-19-0. It is interesting to observe that the abolition of the *ad valorem* duty of 15 per cent. in September, 1927, was not reflected in the price of the imported article. This appears to have been determined entirely with reference to the competition of the Pioneer Magnesia Works and the abolition of the duty merely constituted an addition to the reserve power of the foreign manufacturer in his struggle for the Indian market.

11. The significance of the course of prices of imported magnesium chloride will be more readily understood when it is remembered that during the period May to December, 1927, negotiations were being conducted with the Pioneer Magnesia Works by the Haverø Trading Company acting on behalf of the German Syndicate, having as their object the division of the Indian market and the stabilisation of prices at a higher level. These negotiations which were undertaken as an alternative to a price war proved infructuous. The German Syndicate were prepared to come to terms only on the understanding that 70 per cent. of the Indian market was conceded to the German industry. This would have meant that the production of the Indian manufacturer would have been limited to some 1,200 tons per annum resulting in a general increase in manufacturing costs and overhead charges. These terms were refused by the Indian industry with the result that competition was intensified and import prices still further reduced.

12. We have been informed by the representative of the Haverø Trading Company that the present price of imported magnesium chloride is not a remunerative price to the manufacturer and it is doubtful whether a c.i.f. price of £3-19-0 per 1,000 kilos. leaves the manufacturer any margin of profit. This is borne out to some extent by the proposal contained in the draft agreement, dated September, 1927, between the Haverø Trading Company on behalf

of the Syndicate and the Pioneer Magnesia Works that the price should be fixed at Rs. 5-4-0 per cwt. f.o.r. principal ports and Kharaghoda. Freight and insurance charges from Hamburg to Bombay or Okha are 25s. a ton, while the cost of drums and packing cannot be much less than 10s. per ton. This would leave about £2-4-0 to cover agency commissions in Germany and India, canal freight from Stassfurt to Hamburg (250 miles), manufacturing and overhead charges. It is frequently stated that in Germany magnesium chloride is a by-product of the potash industry. It would, however, be incorrect to assume that this implies that no expense is incurred in its manufacture. In point of fact the mother liquors from which magnesium chloride is made in Germany closely resemble in their composition the Indian bitters. The two industries are therefore entirely analogous and if the German magnesium chloride is to be regarded as a by-product of potassium chloride Indian magnesium chloride is equally a by-product of salt. The similarity of the materials used implies that the methods of manufacture are similar in principle. It is difficult to obtain exact information regarding the cost of the process used in Germany but from reports from German sources which have been placed at our disposal it would appear that the present cost in the case of fused magnesium chloride varies from 20s. to 25s. per ton making no allowance for profit or overhead charges. The Indian manufacturing costs compare very favourably with these figures. In the absence of precise knowledge of the incidental charges of the German industry, such as commission and canal freight, and of the overhead charges we are not prepared to record a definite finding that magnesium chloride is dumped in the sense that the price in India does not cover the cost of manufacture and incidental charges. We are, however, satisfied that the price is considerably below what would be charged, were it not considered necessary to restrict the activities of the Indian industry.

13. We have found the fair selling price of Indian magnesium chloride delivered at mill Bombay to be Rs. 3-4-6 per cwt. and for our present purpose we take the import price at Rs. 2-14-0 delivered at mill. We have considered whether any alteration in these figures is required on account of the fact that about one-third of the Indian output may be sold at Ahmedabad and elsewhere up-country where competitive conditions are more favourable. The railway freight and other charges to Bombay and Ahmedabad respectively are as follows:—

	Bombay.	Ahmedabad.
	As. P.	As. P.
Railway freight from Kharaghoda . . . . .	8 5	3 9
Transport and handling . . . . .	4 0	3 0
Town duty . . . . .	...	2 0
	<hr/> 12 5	<hr/> 8 9

The difference between these figures (3 annas 8 pies) represents the amount by which our fair selling price might theoretically be reduced at Ahmedabad. It would then stand at Rs. 3-0-10. The price of imported magnesium chloride delivered at mill Ahmedabad is Rs. 3-11-0 per cwt., on the basis of a c.i.f. price at Okha of £3-19-0 per 1,000 kilos. The Indian product, therefore, enjoys an advantage of 10 annas 2 pies per cwt. at Ahmedabad. This advantage, however, is somewhat illusory. Indian magnesium chloride is of a greyish colour while the imported article is white. Mill-owners at Ahmedabad take advantage of this to offer a lower price for the Indian product. Moreover, the importance of maintaining output and so reducing costs, places the Pioneer Magnesia Works in an unfavourable position in negotiating sales to the mills enabling the latter to bargain for Bombay prices. Actually the Company has received on an average 7 annas per cwt. less than the import price of foreign magnesium chloride at Ahmedabad would justify. The advantage of the Indian industry is thus reduced to 3 annas 2 pies per cwt. and on the assumption that one-third of the Company's output is sold elsewhere than in Bombay it would be possible to reduce our fair selling price by about 1 anna to Rs. 3-3-6. This will make little difference to our proposals and it is doubtful whether with the recent reduction in c.i.f. price Bombay from £4-19-0 to £3-19-0 even this advantage will remain. We prefer, therefore, in framing our proposals to leave it out of account.

14. The difference between our fair selling price (Rs. 3-4-6) and the import price (Rs. 2-14-0) per cwt. represents approximately the amount of duty leviable had not the revenue duty of 15 per cent. *ad valorem* been abolished in September 1927. In our report on the heavy chemical industry we have

Third condition of Fiscal Commission fulfilled.

found that there is no case for the removal of the existing revenue duties on chemicals used as raw materials in industries. It might therefore well be argued that in considering whether the magnesium chloride industry will eventually be able to dispense with protection, account should be taken of the general level of the revenue tariff in the country. But apart from this there are grounds for believing that the limit of reduction in costs has not yet been reached. We have framed our estimate on the assumption that the output of the industry will be 3,000 tons. But there is no great difficulty in increasing the output considerably, the main requirement being increased storage for bitters. There is a market in India for over 4,500 tons of magnesium chloride a year and we see no reason why in time practically the whole of this market should not be secured by the Indian industry. Further, as we have explained, it is not unlikely that the demand for magnesium chloride will increase, owing to its use in other industries than the textile industry. We also anticipate that more economic working will be possible, provided that the company is in a position to incur the necessary expenditure on plant. Improved practice should also make it possible to remove the discoloration of which some users

complain and thus to enable the Indian magnesium chloride regularly to command as high a price as the imported material. Moreover small shipments have already been made to Great Britain and Australia and with a reasonably secure home market it is not unlikely that these will be increased. We consider, therefore, that a reasonable prospect exists of the Indian industry eventually being able to dispense with protection, even on the supposition that no revenue duty is imposed, and that in consequence the third condition laid down by the Fiscal Commission is substantially fulfilled.

15. We desire, however, to point out that there are certain features in this industry which distinguish it from other industries to which the conditions laid down by the Fiscal Commission would naturally apply. No burden on consumer. In the first place the imposition of a protective duty sufficient to meet the needs of the industry imposes practically no burden on the consumer. Although in the Board's Press Communiqué, dated 24th August, 1928, the attention of consumers of chemicals was especially drawn to the Board's proceedings, no representation has been received from industries using magnesium chloride, opposing the grant of protection. Magnesium chloride is mainly used for sizing in the cotton industry. The evidence tendered by Mr. Tinker on behalf of the Bombay Millowners' Association shows that the cost of magnesium chloride used in the industry is so small in relation to the total value of goods produced, that even a heavy protective duty would throw no perceptible burden on the cotton industry. For this reason the Association is not opposed to protection, while the Indian Merchants' Chamber, Bombay, is definitely in favour of it. In an Appendix we give a table to show the quantities of the various chemicals used in the manufacture of certain typical cloths, the amount of the duties proposed on each and the percentage of the sale price represented by the sum of these duties. It will be seen that even the cumulative effect of the proposed duties is negligible. The conditions for protection laid down in paragraph 97 of the Fiscal Commission's report are framed largely for the purpose of protecting the interests of the consumer and where, as in this case, the burden thrown on the community is negligible and the consumer is not opposed to protection, there is no practical ground for insisting upon a literal compliance with these conditions.

16. Further, it is clear from the discussion regarding 'dumping' in paragraphs 133 to 139 of the Fiscal Commission's report, that the third condition laid down by the Fiscal Commission has reference to the ability of the industry to face world competition without protection on the assumption that normal economic import prices prevail. This is not the case with magnesium chloride. As regards this industry Germany enjoys a practical world monopoly and it appears not improbable that compensation for unduly low prices in India may be sought by enhanced prices elsewhere. In such a case it would not only be unreasonable to insist on a literal compliance with the third condi-

Reasonable protection secures consumers' interest.

tion laid down by the Fiscal Commission as a condition precedent to the grant of assistance to the industry, but it would be definitely prejudicial to the interest of the consumer. We have shown that the price of magnesium chloride in other countries is higher than in India and that the price reductions of imported magnesium chloride may be traced directly to the competition of the local industry. We have been told also that at present prices the import trade is not remunerative to the foreign manufacturer. It is impossible to resist the conclusion that, if the Indian industry is allowed to succumb to foreign competition, prices will be raised considerably above the present level and the burden on the consumer will be greater than if a moderate protective duty is now imposed.

17. We find then that the magnesium chloride industry substantially satisfies the conditions for protection laid down by the Fiscal Commission and that it is as much in the interest of the consumer as it is of the manufacturer that the industry should be reasonably protected. The protective duty required on our calculations is 15 per cent. *ad valorem* which corresponds to the general level of revenue duties and on the present price would amount to six annas eleven pies per cwt. We recommend that this duty, which was removed in September, 1927, be re-imposed and be declared a protective duty. As in the case of the other protective duties which we have proposed in our Report on the Heavy Chemical Industry, we recommend that a specific duty should be imposed. This will amount in round figures to seven annas a cwt. As regards the period of protection we recommend that this be provisionally fixed at seven years. At the expiry of this period the question may be re-examined when the enquiry regarding other heavy chemicals is undertaken. But more important than the imposition of a specific protective duty, is the necessity of providing against violent fluctuations in import prices, whatever may be their cause. As we have already indicated the course of future prices is entirely uncertain and we therefore recommend that as we have proposed in the case of the heavy chemical industry legislative provision should be made for the imposition of additional duties to offset any decline in import prices.

P. P. GINWALA—*President.*

A. E. MATHIAS }  
J. MATTHAI } *Members.*

R. L. WALKER—*Secretary.*

3rd June, 1929.



## APPENDIX.

*Statement showing the quantities of various chemicals used in the manufacture of certain cloths.*

	Amount per piece.	Value in pies.	Percentage of cost.	Proposed duty in pies.
I (Rs. 5-10-0 per piece).				
	Oz.			
Magnesium chloride . . . . .	1½	·4621	·0428	·0703
Zinc chloride . . . . .	¾	1·0125	·0928	·3465
Epsom salts . . . . .	12	3·6514	·3331	1·6071
Sodium sulphide . . . . .	6	3·6964	·3422	·9241
Glauber's salts . . . . .	6	1·1893	·1101	·2411

3·1891

=·2953 per cent. of the sale price.

II (Rs. 6-8-0 per piece).				
	Oz.			
Magnesium chloride . . . . .	1½	·4621	·0370	·0703
Zinc chloride . . . . .	¾	1·0125	·0811	·3465
Epsom salts . . . . .	8	2·4343	·1951	1·0714
Sodium sulphide . . . . .	4	2·4643	·1975	·6161
Glauber's salts . . . . .	7	1·3875	·1112	·2813

2·3856

=·1912 per cent. of the sale price.

***Evidence.***

No. 199-T (8).

GOVERNMENT OF INDIA.  
DEPARTMENT OF COMMERCE.

*Simla, the 16th July 1928.*

## RESOLUTION.

## TARIFFS.

The Government of India have received representations from Messrs. The Eastern Chemical Company and The Dharamsi Morarji Chemical Company requesting that protection may be extended to the marginally noted chemicals. In pursuance of paragraph 3 of the Resolution of the Government of India, Department of Commerce, No. 3748, dated the 10th July 1923, the Government of India have decided to refer to the Tariff Board for examination these representations along with any others of a similar nature which may be brought to its notice.

Sulphuric Acid.  
Hydrochloric Acid.  
Nitric Acid.  
Magnesium Sulphate.  
Ferrous Sulphate.  
Potash Alum  
Aluminium Sulphate.  
Sodium Sulphide.  
Zinc Chloride.  
Copper Sulphate.  
Glauber's Salt.

2. In making its enquiry, the Tariff Board will be guided by the principles laid down in the Resolution adopted by the Legislative Assembly on February 16th, 1923, and will consider—

- (1) whether the conditions laid down in paragraph 97 of the Report of the Indian Fiscal Commission are satisfied in each case,
- (2) to what extent, if any, and in respect of what articles, or class or description of articles, protection should be afforded, and
- (3) how its recommendations, if any, will affect industries using these articles.

3. The removal of the import duties on materials of industry was recommended by the Fiscal Commission and is in accordance with the principle of the Resolution adopted by the Legislative Assembly on the 16th February 1923. Chemicals are utilised as raw materials in certain Indian industries and the Government of India have decided that, along with the question of extending protection to the manufacture of particular chemicals, the Tariff Board will examine the question of the removal of the import duties on those chemicals which are used as materials in Indian industries.

4. Firms or persons interested, who desire that their views should be considered by the Tariff Board, should address their representations to the Secretary to the Board.

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 Central Board of Revenue, the Director General of Commercial Intelligence and Statistics, the Indian Trade Commissioner, London, the Secretary, Tariff Board, His Majesty's Trade Commissioner in India, all Chambers of Commerce and the Canadian Government Trade Commissioner in India.

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

J. A. WOODHEAD,  
*Joint Secy. to the Govt. of India.*

**Press Communiqué issued by the Tariff Board on the 24th  
August, 1928.**

#### **CHEMICAL ENQUIRY.**

The attention of manufacturers of chemicals and consumers of chemicals which are used as materials in Indian industries is drawn to the Resolution of the Government of India in the Commerce Department No. 199-T(8), dated the 16th July, 1928, under which the question of granting protection to the manufacture of certain chemicals and the removal of duty on others has been referred to the Tariff Board for examination. Eleven acids and heavy chemicals have been expressly mentioned in the Resolution, but the scope of the Board's enquiry is not limited to these, and those interested in the manufacture of similar chemicals are at liberty to submit representations to the Tariff Board for investigation. Manufacturers who propose to apply for protection are requested in the first instance, to obtain from the Secretary, No. 1, Council House Street, Calcutta, a copy of the questionnaire prepared by the Board and to submit their replies with six spare copies to the Secretary not later than the 30th September, 1928. After their replies have been received, they will be notified as to the dates on which their oral examination, if any, will take place.

Consumers of chemicals used as materials in industries are also requested to submit representations stating (a) the kinds of chemicals used by them and the purposes for which they are used and (b) the amount of extra burden thrown upon the industry by reason of the Customs duties now leviable upon chemicals used. These representations (with six spare copies) should reach the Secretary not later than the 30th of September, 1928.

**Questionnaire issued by the Tariff Board for Applicants for  
Protection.**

INTRODUCTORY.

1. When was your firm 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? How many Directors are there, and how many of them are Indians? How many Indians are employed in the superior management?

3. Please enumerate the various products which you manufacture?

4. When did your works commence to manufacture?

5. Please state the quantity of each different product which your works as at present equipped could manufacture per annum if working to capacity.

6. What was the actual output of each different product for the last five years?

7. Where are your works? Do you consider they are advantageously situated in respect of—

(a) Supply of raw materials.

(b) Sources of power or fuel.

(c) Markets.

(d) Other considerations, such as labour supply.

8. (a) Do you consider that your products are equal in quality and appearance to imported chemicals?

(b) Do they command the same price in competitive markets as imported chemicals?

(c) If not, to what cause do you describe the lower price of the Indian product?

(d) Apart from the question of quality, is there any prejudice against your products, either generally, or in particular markets or on the part of a particular class of consumers?

9. (a) What are the principal industries in which your products are used?

(b) For what purposes are these products used?

(c) Are any of your products used for the manufacture of explosives for military purposes?

10. Are there any climatic or other difficulties which prevent your manufacturing all your products all the year round? If so, please explain the reason and state whether the stoppage tends to raise your cost of production above that of other countries.

11. What process do you use for the manufacture of each of your products?

*N.B.*—When the process is known by a special name, no description of the process need be given. The name only of process should be stated.

RAW MATERIALS.

12. What are the principal raw materials used in the manufacture of each of your products?

13. What would be your annual requirements of raw materials if your plant were working to its full capacity?

14. What quantity of each raw material is required for the production of one unit of each of your products?

*N.B.*—The customary unit should be stated.

15. What are the main sources of supply for each of your raw materials?

16. Which of these materials are—

A. Imported from abroad.

B. Manufactured and purchased in India.

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.

*N.B.*—If information as regards (b) and (d) is not available, the c.i.f. price should be given.

In case B, please give—

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

and state where and by whom the materials are manufactured.

17. Which of the materials mentioned in the answer to question No. 16, if not already manufactured in India, are—

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

Please give reasons for your reply.

18. (a) Do you get any special freight rates by sea, river or rail for your raw materials?

- (b) Do you consider you are at any disadvantage in this respect?
- (c) If so, have you any proposals to make?

19. Do you consider that this industry is assured of a sufficient supply of its principal raw materials—

- (a) foreign,
- (b) domestic,

for a reasonably long period?

20. (a) Are there any natural raw materials in India which in the near future may enable you to dispense with similar imported materials?

- (b) If so, indicate briefly—
  - (i) the localities in which they exist,
  - (ii) what reduction in price may be expected.

21. Would the manufacture of any of your products automatically cease if for any reason it became impossible to import its principal raw material?

22. Are there any raw materials which are the monopoly of—

- (a) a particular country, or
- (b) particular Trusts, Combines or Corporations?

#### LABOUR.

23. Do the processes of manufacture require much expert supervision involving the employment of skilled labour imported from abroad?

24. What number of imported labourers are employed at present, and what would be the number required if the factory were working to full capacity?

25. (a) What progress has been made since the factory was established in the substitution of Indian for imported labour?  
 (b) Is it anticipated that eventually the employment of imported labour will be unnecessary?  
 (c) What facilities are given to Indian workmen to acquire training in skilled work or for training apprentices.
26. How do the rates of wages paid to imported workmen compare with the rates paid for similar work in other countries?
27. (a) What is the total number of Indian workmen employed?  
 (b) What are the average rates of wages of the different classes?
28. Please give total wages bill for Indian labour at the works for the past five years; any increase in the rates of wages should be noted with the date upon which it was given.
29. (a) Is the Indian labour force sufficient?  
 (b) Is it drawn from the vicinity of the factory or from other parts of India?
30. (a) Does the Indian labourer improve with training?  
 (b) How does he compare in efficiency with European workmen employed on similar work?
31. What arrangements have you made for housing your labour and for promoting its welfare in other directions?

#### POWER (INCLUDING FUEL).

32. (a) What is the nature of the power used in the factory?  
 (b) If steam, what is the fuel used, and is it available locally in sufficient quantities?
33. What is the total quantity of fuel consumed per unit of output, whether for power production or for other purposes?
34. What is the price per ton of fuel—  
 (a) at source of supply;  
 (b) at works.
35. (a) If electric power is used, from what sources is it obtained and what is the cost per unit?  
 (b) How does the cost compare with the rates obtainable elsewhere in India and in other countries?  
 (c) What is the consumption of power per unit of output?

#### MARKET.

36. What is the total Indian production so far as it can be estimated of each of your products for the past five years?
37. What do you estimate is the total Indian demand for each of these chemicals?
38. Do you think that the demand will substantially increase in the near future? If so, please give the reasons.
39. Where are your principal markets in India and how far are they from your works?
40. (a) Are there any markets in which owing to their distance from a port you can compete more easily with foreign manufacturers?  
 (b) If so, please state these markets and the approximate demand for each product in each market.
41. Do you think that you will ever be able to export your chemicals? If so, to what countries and in what quantities?
42. (a) Are any of your products purchased by Government or other public bodies or departments?



(b) If so, please state the extent of their purchases and the prices paid during—

- (i) the war,
- (ii) each of the last five years.

(c) Were the prices received by you during the war, the current prices prevailing at the time in India.

#### FOREIGN COMPETITION.

43. Which foreign countries are your keenest competitors in the Indian market?

44. Do the conditions of manufacture in India differ materially from those in competing countries? If so, what are the main differences?

45. Have conditions in India led you to adopt processes of manufacture different from those practised in the chief competing countries? If so, has the foreign manufacturer an advantage in this respect?

46. Please state—

(i) the prices at which imported chemicals have been landed in India under the following heads:—

- (a) f.o.b. price,
- (b) freight,
- (c) insurance and trade charges,
- (d) customs duty,
- (e) landing charges.

*N.B.*—If information regarding (a), (b) and (c) is not available, the c.i.f. price should be given.

(ii) the prices realised by you each year of the past five years.

47. (a) From what sources is information obtainable as to the prices at which imported chemicals enter the country?

(b) How far do you consider the information obtained from these sources is reliable?

48. (a) Are there any Trusts or Combines operating in chemicals in the Indian and other foreign markets?

(b) If so, please give as far as possible a brief history of their origin, financial position and general activities.

(c) To what extent have their operations affected you in the Indian market?

49. Have you any reason to suppose that the prices at which foreign producers sell for export to India are unremunerative, i.e., below the cost of production, or leave only a small margin of profit to the producer? If so, please state fully your reasons and the evidence on which you rely.

50. (a) Do you manufacture any chemicals which in competing countries are produced as by-products?

(b) If so, state briefly the reasons which prevent you from adopting similar processes of manufacture.

51. In which of the Indian markets is foreign competition keenest?

52. (a) Has there been a substantial fall in the prices of imported chemicals since the war?

(b) If so, to what causes do you attribute this fall in price?

(c) How far do you consider these causes permanent?

53. Please compare the freight which you have to pay to reach your main markets in India with the total freights, sea and rail payable on imports to the same markets.

54. Compare the railway freights paid by importers from the ports to selected up-country markets and the railway freights paid on the produce of your works to the same markets.

*N.B.*—The mileage between port and the selected stations and between factory and same stations and the rates per unit per mile should be noted.

55. Do you consider that as compared with foreign manufacturers the Indian manufacturer is at a disadvantage in respect of any of the following:—

- (a) Cost of plant and machinery.
- (b) Cost of expert labour.
- (c) Cost or efficiency of ordinary labour.
- (d) Collection and transport of raw materials.
- (e) Cost of raw materials and consumable stores.
- (f) Freights on finished goods.
- (g) Maintenance of stocks of spare parts.
- (h) Customs duty on imported materials.
- (i) Raising of capital.

Wherever it is considered that the Indian manufacturer is at a disadvantage, reasons supported by figures should be given in support of your contention.

56. Which of the disadvantages mentioned in your answer to question 55, do you consider permanent and which temporary? For what period do you consider the temporary disadvantages are likely to operate?

#### INTERNAL COMPETITION.

57. (a) Is there any serious competition among Indian manufacturers of chemicals?

(b) If so, who are your principal competitors and in respect of which of your products?

58. Has any attempt been made by Indian manufacturers to eliminate competition by mutual agreement regarding manufacture or by the formation of a joint sales organisation or otherwise?

#### EQUIPMENT.

59. (a) Do you consider that your works are sufficiently large as an economic unit of production to ensure economy?

(b) What, in your opinion, is the smallest unit of production which can be operated economically under present-day conditions?

60. Does the manufacture of your products require the use of elaborate and expensive machinery?

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

62. Give a brief description of your plant and machinery.

63. Do you consider your machinery and other equipment and the processes of manufacture practised in your works sufficiently up-to-date and efficient to enable you to compete successfully against foreign manufacturers?

64. Have you adopted any new processes of manufacture or have you installed new plant and machinery in replacement of, or in addition to, your original plant? If so, give a brief description of the process or plant, and state whether the results have fulfilled your expectations.

65. What parts of the machinery, if any, are manufactured in India?

#### CAPITAL ACCOUNT.

66. What is the block value of your property, as it 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.

67. Do the figures given in answer to question 66 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.

68. 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? (See question 82.)

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

70. 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?

71. 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.

72. Under what conditions do the Deferred shares, if any, participate in the profits of the Company?

73. 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.

74. 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?

75. 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?

#### COST OF PRODUCTION.

✓ The cost of production falls under two heads:—

- (a) works costs, and
- (b) overhead charges.

The latter head—overhead charges—includes:—

- (i) Interest on working capital.
- (ii) Depreciation.
- (iii) Head office expenses and Agents' commission.

The head "Works Cost" covers all other expenditure. The dividends on share capital are not included in the cost of production, nor is the interest on debenture and other loans in so far as the sums so raised have been devoted to fixed capital expenditure.

(a) *Works Costs.*

76. Please fill up the two Forms annexed to the questionnaire regarding Works Costs. The following explanations may be useful:—

- (a) 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, 1924, and on subsequent occasions. 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, not necessarily for publication but for the information of the Board.
- (b) In Form I the actual expenditure of the year under the various heads should be shown, whereas in Form II it is the cost per unit of output that is desired.
- (c) The years for which figures have been asked for are each of the last three years.
- (d) The figure given against raw materials should be the cost delivered at the Works and will include the cost of all labour employed in collection or transport. The cost of such labour, therefore, is necessarily excluded from the item "Labour" in the forms.
- (e) If at any stage of the process of manufacture materials are recovered and can be used again, the credits taken for such recoveries should be entered in the forms, and the manner in which such credits are taken explained.
- (f) In the forms Power and Fuel are shown as one item, but it is preferable (if possible) that they should be shown separately.

77. Was the works cost increased in any of the years for which figures have been given owing to the fact that the Works were working at less than their 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?

78. Do you regard the works cost of the last year for which figures have been given as abnormally high for any other reason? If possible, furnish an estimate of the works cost for some future year on the assumption that—

- (a) conditions are normal,
- (b) an output is obtained equivalent to the full capacity of the plant.

79. 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?

80. Are you in a position to furnish the Board with information as to the works costs in any competing country for any year since the war?

(b) *Overhead charges.*

81. In determining your cost of production in what proportion do you allocate among your different products each of the various items which constitute your overhead charges? Please explain how this proportion is determined.

(i) *Depreciation.*

82. (a) What are the rates of depreciation allowed by the Income-tax authorities?

(b) Do you consider that, in calculating the cost of production these rates of depreciation are suitable?

(c) If not, what rates do you suggest and why?

(ii) *Working Capital.*

83. What is the working capital which the Company requires according to the output equivalent to its full capacity?

84. 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?

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

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

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

88. Does 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.*

89. 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?

90. If the answer to question 89 is in the affirmative, please state:—

(i) the annual amount of the Head Office expenses;

(ii) the Agents' commission.

91. How is the amount of the Agents' commission determined?

92. What charges do you incur on account of—

(i) Head Office expenses,

(ii) Agents' commission

per unit of each finished product.

93. What rate of dividend do you consider to be a fair return on the capital invested?

**CLAIM FOR PROTECTION.**

**NOTE.**—If your replies to any of the following questions have been already stated in your representation to the Government of India, it is unnecessary to repeat them, unless you wish to modify or amplify them.

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 those conditions are satisfied in the case of heavy chemicals?

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 your industry fulfills these conditions, the reasons for your opinion should be fully explained.

95. Do you claim that your industry satisfies either or both of the conditions mentioned in paragraph 93 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 your industry is of importance on national grounds and therefore deserves protection apart from economic considerations?

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

98. What special measures (if any) do you suggest to safeguard your industry against underselling by reason of any cause other than a reduction in the foreign cost?

99. What is the amount of protection the industry receives at present wing 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?

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

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

101. Do you recommend any form of assistance other than a protective duty? If so, please state what form such assistance should take and the reasons for your proposal.

**FORM I.**

*Statement showing the aggregate expenditure incurred at the Works on the total output of your factory for each of the last three years. (See question 76.)*

	Year.		
1. Raw materials . . . . .			
2. Works labour . . . . .			
3. Power and fuel . . . . .			
4. Ordinary current repairs and maintenance of buildings, plant and machinery.			
5. General services, supervision and local office charges.			
6. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.			
7. Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.			
Total .			

FORM II.

Statement showing the Works cost per unit of each finished product for each of the last three years. (See question 76.)

Year.	Products.		
1. Raw materials . . . . .			
2. Works labour . . . . .			
3. Power and fuel . . . . .			
4. Ordinary current repairs and maintenance of buildings, plant and machinery			
5. General services, supervision and local office charges.			
6. Miscellaneous, e.g., rent, municipal taxes, insurance, etc.			
7. Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.			
Total .			
Credit for materials recovered (if any) .			
Nett Total .			
Total production .			

NOTE.—In filling up this form, please explain clearly the method by which the total expenditure has been distributed among the different finished products. It is probable that in some cases such as raw materials the actual expenditure on each product can be ascertained from the books maintained by the Company but in other cases it may be necessary to adopt some method of allocation for arriving at the expenditure on each product. Please state in each case whether the expenditure shown is actual or estimated, and in the case of estimated expenditure how far in your opinion the estimate may be regarded as approximately correct for the purpose of calculating the cost of each product.

### Pioneer Magnesia Works, Bombay.

#### A.—WRITTEN.

- (1) *Letter No. 5.T(5), dated 31st July 1928, from the Commerce Department, Government of India, to the Pioneer Magnesia Works, Bombay.*

With reference to the correspondence ending with your letters, dated the 17th July, 1928, I am directed to say that the Resolution of 16th July, 1922, quoted by you, refers to the Tariff Board not only the representations of the Eastern Chemical Company and the Dharamsi Morarji Chemical Company, but also any other of a similar nature which may be brought to its notice. The Board will, therefore, consider any representation that you may wish to make for the grant of protection to the magnesium chloride industry.

The Board is being furnished with a copy of the recent correspondence between you and this Department.

- (2) *Correspondence between the Pioneer Magnesia Works and the Government of India.*

No. 1.

*Copy of letter dated 21/23rd January, 1928, from the Pioneer Magnesia Works, Bombay, to the Government of India, Department of Commerce.*

We have the honour to acknowledge receipt of your above letter informing us that unless a *prima facie* case was made out to show that our industry would eventually be able to dispense with extraneous assistance as laid down by the Fiscal Commission, Government would not feel justified in referring this question again to the Tariff Board.

Our attention is further drawn to para. 27 of the Tariff Board's report published in the year 1925, to say that our claim for protection had not been made good—in which finding the Government of India have concurred—and you are pleased to state that in our present application also no satisfactory reasons have been advanced to show that circumstances have so materially altered as would justify the Government to accede to our request.

In reply we would respectfully urge that in our present petition dated 15th August, 1927 (pages 3 to 5, paras. 12 to 15), we have touched upon only a few important factors which are now vitally affecting our industry under existing altered conditions. This will give you an idea of the serious disabilities we are labouring under.

We did not, however, wish to go into details at this stage simply with the idea that all the necessary facts and figures as may be required by the Tariff Board would be marshalled in the course of any close examination by them later, and we were fully hoping to have an opportunity of doing so whenever called upon for the purpose.

This might have convinced them of the strength of our case and possibly enabled them to give us at least some measure of protection against the foreign rivalry.

However, since the Government of India now wish to know these points more explicitly we beg to elucidate them as under:—

Judging from your letter, it appears that the principal point the Government of India would like to be satisfied on before deciding whether a particular industry is fit or not to go for protection before the Tariff Board, is as to how far such "industry would eventually be able to dispense with extraneous assistance".

In support of our contention that we would be fully competent to take care of ourselves after the period of protection, if granted, was over, we beg to put forward the following arguments for the kind and favourable attention of Government.



We do claim that circumstances have materially altered since our former application was made in the year 1924-25 inasmuch as—

(a) Prices of the imported article have sufficiently steadied down owing to more settled conditions, which was not the case before.

This will be apparent from the following summarized figures which will clearly explain the position in a nutshell. (A more detailed comparative statement brought up to date has already been furnished to you with our petition dated 15th August, 1927.)

		Approximate figures.		
		Import value.		Average import price per cwt.
		Tons.	Rs.	Rs. A. P.
<i>Magnesium chloride—</i>				
German and other foreign imports from Bombay Customs Returns, from 1916-17 up to 31st December 1926				
		23,201	32,55,990	7 0 3
Do.	do. Year 1927	1,896	1,44,322	3 12 9
				Average price per cwt.
		Tons	Rs.	Rs. A. P.
<i>Kharaghoda Sales—</i>				
From 1916 up to 31st December 1926				
		12,733	20,86,392	8 3 0
	Year 1927	2,652	1,95,688	3 11 0

*N.B.*—(1) Since Port Okha has come into prominence for the past year or two, there have been some imports there of foreign magnesium chloride of which the figures are not with us. Similarly, some small quantities imported to Calcutta and Madras also may have to be added.

(2) Owing to unprecedented heavy floods all over Guzerat in July last, our factory also suffered a loss, with the result that the Kharaghoda sales have been appreciably less during these two months, and we had ourselves to import and sell a few hundred tons of German magnesium chloride to keep our clients and to maintain the continuity of business.

(3) In the case of the foreign imports duty, clearing and other handling charges should also be added to the import value to bring it on a parity with our prices which in the bulk of the sales are inclusive of free deliveries up to mill premises in Bombay or Ahmedabad and up to f.o.r. destination or at Kharaghoda as the case may be, in certain other cases of mills situated elsewhere.

(b) Your attention may be further invited to the printed statement of comparative costs given by us to the Tariff Board (*vide* page 81 of the report). These figures were then based on an estimated production of 3,000 tons as against 1,000 tons only. We make bold to say that we have actually been able to fulfil our promise and have succeeded in bringing up the production to the highest possible level, thereby reducing our costs very substantially as could be easily ascertained from our figures.

(c) Our last Balance Sheet and Profit and Loss statement sent to you up to 31st December 1926 would show that since 1922 we had been carrying on this business at a loss. Thanks, however, to increased output and efficiency as well as to more strenuous efforts on our part, we have succeeded in holding our own in the teeth of the keenest German competition, and we have pleasure in informing you that this has borne good fruit with the result that our past year's working shows a sufficient surplus to wipe off a considerable portion of the deficit incurred by us up to the preceding period. We are, however, unable to send you our latest Balance Sheet and Profit and Loss Account up to 31st December, 1927, as the same is still under preparation, and yet to be audited.

(d) Since the last inquiry was made, we have been at great pains and expense to re-organize the industry and have put it on a sound basis. In doing so, however, we had fixed the economic limit of competition on the prices of the foreign imports into India as lately prevailing before the abolition of the 15 per cent. Customs duty. The prices have during the past two years sufficiently steadied down to a level which permitted of our effecting good savings on the production and this gave us substantial hopes of becoming entirely independent of any Government or other extraneous aid. But unfortunately just when we had begun to turn the corner we were again faced with this new and grave situation over which we had no control.

The reductions made by us in such important items as fuel, wages, packing and sundry overhead charges which go to make up the total cost of production, have been the lowest we could obtain. But the saving effected has turned out to be very illusory and is now swallowed up by the reduction in local prices due to the free admission of the foreign material since October last.

Owing to this reduction of nearly 10 annas per cwt., we find it extremely difficult to compete against the imported articles of which the Home price however remains as before, viz. at £5-3-9 per ton c.i.f. Bombay, and hence the necessary for protection to meet with this altered circumstances.

(e) It was evidently with this idea that the learned Commissioners of the Indian Textile Tariff Board have at pages 182-183 of their Report given us a direct indication to put up our case before the Indian Tariff Board in the following words, viz. :—

“ We have not overlooked the fact that the acceptance of our recommendations might in the case of one or two items in the lists, such as magnesium chloride and bobbins, prejudicially affect existing Indian industries but we are of opinion that it is for such industries to establish a case for protection in the usual manner.”

We fully hope, therefore, that Government will not so summarily dispose of our case without examining us or giving us at least a chance of proving our statements and thereby avoiding any injustice being done to the cause of a deserving Indian indigenous industry.

(f) Our industry has proved to be of sufficient strength and importance in the eyes at least of our German rivals, so as to deserve a great deal of attention from the German Magnesium Chloride Syndicate. Because it is entirely due to our intervention that the local prices have been kept so low instead of being raised to suit their own pockets.

That they would not shrink at any measures to squeeze us out of the Indian market could be abundantly proved from the documentary material in our possession as well as from the fact that the ruling German import prices of this material in Great Britain are actually higher by at least 10 shillings per ton than the c.i.f. Bombay prices, not to mention the further rebate of £1 sterling per ton freely allowed by our rivals for the last few years to all consumers in India outside of Bombay proper, simply with a view to crush our opposition.

As the correspondence is of a confidential nature, we are not sending you any copies now but would be quite prepared to produce them before you or before the Tariff Board if called upon to do so. We humbly submit that this phase of the situation needs strongly to be inquired into by a patriarchal Government to protect our own industries, however small or insignificant from the point of view of capital resources. For there could not be one law for the big industrialists and another one for protecting a more humble straggler.

We venture to suggest that given adequate protection as a temporary measure only for just sufficient period to enable us to build up our resources, we would be able to replace every single ton of foreign magnesium chloride coming into this country and even succeed in building up a good export trade of sufficient proportions to the lasting benefit and fair name of India.

(g) At present we believe that the restoration of the *status quo* before the taking off of the 15 per cent. *ad valorem* duty (which was in force up to 30th September 1927) would meet with the requirements of the case and impose no hardship at all upon the consumer. On the contrary the only people to benefit from this abolition of the duty are the German Magnesium Chloride Syndicate whose sole aim and ambition seems to be to exploit the Indian market to the fullest extent after we are wiped out.

Moreover, we fail to realize what equity there could be in exempting one material like magnesium chloride from the operation of the 15 per cent. *ad valorem* duty and in maintaining the same duty on quite analogous products like epsom salts and zinc chloride, for instance, which are both used for textile purposes and the latter particularly, which is used side by side with the magnesium chloride for cloth sizing.

Is it too much to hope, sir, that Government would be pleased to see the force of this argument and will see their way to pass urgent orders to include again the foreign magnesium chloride on the duty list as before, thereby placing our industry under a debt of obligation.

In conclusion we pray that before dismissing our case you will at least be good enough to grant us an interview in order to allow us to put our case personally before you and to submit all the material evidence we have in support of our claim for protection.

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*Copy of letter dated 3rd January, 1928, from the Pioneer Magnesite Works, to the Collector of Salt Revenue, Bombay.*

We have the honour to invite your attention to the following important matters discussed with you at our interview on the 14th ultimo.

*Re Tariff Board Application.*—We showed you the letter received from the Government of India, Commerce Department, dated Delhi, 24th November, 1927, in which they have regretted their inability to refer our petition for protection to the Tariff Board as no *prima facie* case in their opinion had been made out by us to justify such a course.

We are, however, pursuing the matter further and hope that it will meet with more favourable attention.

*Re German rivalry.*—We have also acquainted you with the true position as regards this matter, and shown you certain important correspondence throwing additional light on the nature and strength of the opposition likely to be pitched against us in the event of our not submitting to the dictation of the German Magnesium Chloride Syndicate whose representatives seem to be the Haverlo Trading Company, Limited, of Ballard Estate, Bombay, who to say the least are a most powerful organization dealing extensively in dyes and chemicals. Their proposal boils down to this that regardless of actual prevailing conditions, they should have 70 per cent. of the aggregate Indian trade demand leaving us to cater for the balance of 30 per cent. only. The facts, however, are that during the past year our relative sales have been well nigh reversed, so that even at the risk of laying ourselves open to serious under-cutting—with which they have without mincing the matters threatened us—we have thought it best to reject their one-sided proposals.

*Okha Competition.*—In view of the recent starting of the big salt works at Okha in Kathiawar, as you are aware, we are faced with another very serious problem which is likely to cut at the very root of our Company's existence. We showed you a blue print plan of the Okha Salt Works Limited's layout and discussed at some length the very great advantages enjoyed by them as compared with Kharaghoda which it would not be out of place to recapitulate here again for your information.

(a) The Okha Salt Works are so constructed as to have the maximum output of salt within a minimum area and with the idea of making the most of their available bitterns for various by-products, they have further designed to locate a by-products plant right at the mouth of their big asphalted salt pans with the result that good standard bitterns of the required strength and

density and free of any impurities or defects that are more or less inherent in the Kharaghoda bitters, could be collected and had in adequate quantities for purposes of magnesium chloride and other manufacture. When compared to the lead of several miles not to mention the various other difficulties in the collection and storage of bitters which are our daily lot at Kharaghoda, the immense advantages of Okha and the saving in cost to be effected in this one item alone has only to be mentioned to be adequately realized.

(b) Then again, owing to very scanty rainfall of only three to four inches per annum, the salt production at Okha would go on all the year round which would also mean a continuous working of their by-products factory and would eliminate all the contingent disadvantages and expenses shouldered by us under the existing conditions at Kharaghoda.

(c) Okha being a nice growing sea port of importance with direct communication not only with Bombay and Calcutta but also with Great Britain, America and other foreign ports, naturally enjoys much greater facilities for cheap transport with some of the most important consuming centres which are denied to Kharaghoda. Looking to all these factors and after studying the problem very carefully and on the spot, we cannot but come to the conclusion that we would be throwing away a valuable opportunity by not availing ourselves of the offer extended to us by the Okha Salt Works, Limited, to put up an additional plant in conjunction with them not for magnesium chloride alone, but also at a later stage for epsom salt and certain other by-products for sale both in and out of India. The Okha plant would be serviceable for Bombay, Calcutta, Madras and outside foreign exports. It may interest you to note that we have already succeeded in sending a few trial shipments to Australian ports and to Liverpool and Glasgow which have met with considerable success and general approval, so that good business is promised to us provided the rates be favourable. We have no intention of discontinuing the present Kharaghoda plant which will go on serving the inland markets like Ahmedabad, Gujerat, Central India and the Punjab and so forth, reserving the Okha production for supply to ports, Indian and foreign. You will thus realize, sir, that if we do not take advantage of this excellent opportunity now offered somebody else will, and that would be creating a formidable internal competition against us to our ultimate disadvantage and ruin. After all, it is mainly a question of self-preservation and unless we move with the times and produce more economically and efficiently, our days would be numbered in no time.

You were good enough to sympathise with our aspirations, and did not think that Government would take objection to this action on our part. In order, however, to avoid any possible complications later on, or any misunderstandings, and particularly in view of our existing royalty obligations, we have thought it best to approach you formally in the matter and we should be much obliged by your kindly bringing the same to the notice of the Government as you may deem proper.

We have already showed you the proposed draft arrangements to be entered into by us with the Okha Salt Works, Limited, and feel sure that Government would see no objection to our contemplated course in a matter of such vital importance, which is calculated to put us in a stronger position and to enable us to stand against the strenuous competition threatening to swamp us both internally and externally.

In conclusion we beg to express our sincere gratitude to you for your personal sympathies in the matter and we have no doubt that our communication will also meet with the same favourable attention of the Government of India.

No. 2.

*Copy of letter dated 28th February, 1928, from the Pioneer Magnesia Works, Bombay, to the Commerce Department, Government of India.*

Your No. 5-T (4), dated 24th November, 1927. With further reference to our last representation to you of 21/23rd January, 1928, we have the honour

to bring to your notice the following new points having an important bearing on the present question:—

(1) We enclose the original circular dated 17th February, 1928, from a prominent Bombay firm, dealing largely in this commodity. They are offering the German magnesium chloride £4-19-0 per 1,000 kilos c.i.f. Bombay or Okha (as against their previous quotation of £5-3-9 ruling last year) subject to a further rebate of £1 per 1,000 kilos on all sales in the interior.

This is done solely with the idea of beating down our opposition.

(2) As to prices, the following calculations will show at a glance what the relative position is so far as circumstances are at present.

Kharaghoda costs and selling prices based on an estimated output and sale of about 3,000 tons per annum.

Per cwt. costs—

Rs.	A.	P.	
0	5	6	Bitterns (raw material) collection charges and factory costs.
0	5	6	Fuel charges.
0	10	10	Government royalty at the rate of Re. 1 per ton.
0	10	5	Packing charges in 7 cwt. galvanized drums.
0	6	0	Establishment and supervision charges at Bombay and Kharaghoda.
0	8	0	Interest and depreciation charges.
0	5	0	Discounts, selling agents' commission, weight differences, etc.
0	10	6	Freight to Bombay and handling charges.
0	2	3	Contingencies, rents, taxes, posts and telegraphs, etc.
<hr/>			
3	6	0	Dead nett cost up to Bombay mill delivery and mill weights.

*Without any margin of profit.*

3	2	0	Dead nett cost up to mill premises at Ahmedabad after deducting the relative difference in freights and allowing for the town duty, etc. (Bombay and Ahmedabad being the two chief centres, these two places alone are taken.)
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Average gross selling price realized on the basis of new contracts recently made comes to about Rs. 3-8-0 to Rs. 3-10-0 per cwt. Bombay mill delivery and Rs. 3-4-0 per cwt. Ahmedabad mill delivery.

Mill weights being accepted as against invoice weights in the case of the German article.

Compare this with the following prices on German magnesium chloride according to their latest circulars, viz. :—

£ s. d.

4 19 0 per 1,000 kilos (1,016 kilos make one British ton of 2,240 lbs. c.i.f. Bombay, subject to 5 per cent. commission to dealers).

Rs. A. P.

66 0 0 per 1,000 kilos at 4-19-0 at 1s. 6d. exchange.

0 8 0 interest charges for 45 days.

1 0 0 add to make up for relative weight difference as above pointed out.

8 0 0 add for dock charges at Rs. 3-0-0 per ton  
for clearing charges at Rs. 3-8-0 per ton;  
for sundries up to Bombay mill at Re. 1-8-0.

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75 8 0 per ton

=Rs. 3-13-1 per cwt. up to Bombay mills, less dealers' commission, or say, Rs. 3-10-0 nett per cwt., free Bombay mills delivery.

At Okha, after taking into account the rebate of £1 per 1,000 kilos and the cheaper dock and clearing charges the price works out at Rs. 2-14-0 f.o.r. Okha, or say, Rs. 3-10-0 at most up to Ahmedabad mill premises.

These figures will speak for themselves and are calculated to show our precarious condition in view of the recent abolition of the 15 per cent. *ad valorem* duty on the foreign magnesium chloride. We have further to stand up against the strong squeezing tendency in the mind of the average consumer against an indigenous article as compared with the foreign one. Moreover, there is always the further fear of a future reduction in foreign prices to crush our rivalry unless urgent steps be taken to afford us some measure of protection for a few years at least to enable us to consolidate our position.

(3) It will not be out of place here to mention that according to the data collected by us, the following are the prevailing quotations of German magnesium chloride in different countries:—

*Great Britain.*—£5-10-0 to £6 per ton.

*India.*—£4-19-0 per 1,000 kilos c.i.f. Bombay.

*America.*—\$36 per 2,000 lbs. or \$40 per ton of 2,240 lbs. D. Cts.  
=£8-5-0 at 4-85 exchange per sterling c.i.f. New York or £3-19-0 c.i.f. Okha.

(4) In the absence of any proof to show that the cheaper price is due to any saving in freights or other charges, the inevitable conclusion seems to be that the main idea at the back of the German Magnesium Chloride Syndicate (who are virtually holding the monopoly in the world's markets) is to squeeze us out of competition.

We enclose herein a copy of our latest printed circular offering our Kharaghoda product to the Ahmedabad mills even at cost price to meet the strenuous competition pending the decision of the Government in regard to the protection question.

(5) To add to our misfortune, the Ahmedabad Municipality has already in force a terminal tax of 1½ anna per Bengal maund (= about 2 annas a cwt.) on all magnesium chloride arriving there and the Bombay Municipality also according to decision recently arrived at are also contemplating to put this into effect there in the near future. At Ahmedabad this town duty affects equally both the local as well as the foreign product, but it is doubtful how far the Bombay proposal is calculated to hit the indigenous article only arriving from the interior by rail, to the exclusion of the foreign product entering by sea. This is, however, mentioned to show one more factor that is likely to operate against us and needs to be taken into account in considering the question of protection.

(6) The Tariff Board have recently recommended a protective duty on certain classes of foreign belting to support the local manufacture and we fail to see why our case should not be deemed equally worthy of protection, in spite of abundant evidence to show the useful service rendered by us in our own humble way to the cause of Indian industry, and we pray that we may soon be favoured with some more encouraging and favourable reply from you which would enable us to withstand the crushing competition which is now staring us.

In conclusion we beg earnestly to request for an early interview to discuss this matter which is of the utmost urgency and vital importance to us, and we shall feel exceedingly obliged by your kindly favouring us with your reply at the earliest convenience possible.

*Copy of letter dated 1st March, 1928, from Messrs. Trikamlal Mahasukram, Sole Selling Agents, Pioneer Magnesia Works, Ahmedabad, to—*

We beg to inform you that in order to meet the foreign competition we have at present decided to lower the price of our Kharaghoda magnesium chloride from this date to Rs. 3-4-0 (Rupees three and annas four) per cwt. free Ahmedabad mill delivery and mill weights even though it means considerable sacrifice to us.

This is done solely with a view to preserve our old and esteemed clients like you and we fully hope that you will be pleased to support this Indian industry against foreign rivalry and will continue to favour us with your kind orders as heretofore.

We may add that so far we have received no serious complaints of any short weights in our drums (made out of strong galvanized sheets) as in the case of the foreign article coming from such long distances.

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*Copy of letter dated 17th February, 1928, from Messrs. Purshotamdass Popatlal and Company, Bombay.*

We have the pleasure to inform you that the German Syndicate of magnesium chloride has made a reduction in the price of magnesium chloride for shipments up to June, 1928. The present reduced price is as under:—

Magnesium chloride packed in 5/6 cwts. iron drums at £4-19-0 per 1,000 kilos, delivered c.i.f. Bombay, and/or port Okha.

*Refund.*—The Syndicate will allow a refund of £1 per 1,000 kilos if the goods are sent to any interior places of India on your submitting the freight payment receipt issued by the railway company.

We hope the reduce price will enable you to place substantial orders with us.

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No. 3.

*Copy of a telegram dated 19th March, 1928, from the Pioneer Magnesia Works, Bombay, to the Secretary to the Government of India, Department of Commerce.*

Reference our Tariff Board application and communications dated January 23rd and February 28th, requesting urgent attention and reply.

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No. 4.

*Copy of letter from the Pioneer Magnesia Works, to the Government of India, Department of Commerce, dated 19th March, 1928.*

*Re application for protection to the Magnesium Chloride Industry.*

Your No. 5-T (4), dated 24th November, 1927.

In continuation of the above we have the honour to confirm our to-day's telegram regarding as under:—

“Reference our Tariff Board application and communications, dated January 23rd and February 28th, requesting urgent attention and reply—Magnesia.”

We shall deem it a great favour if you will be so good as to expedite consideration of this matter and favour us with your kind reply at the earliest possible convenience.

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No. 5.

*Copy of letter dated 10 July, 1928, from the Pioneer Magnesia Works, to the Secretary to the Government of India, Department of Commerce.*

*Re application for protection to the Magnesium Chloride Industry.*

Your No. 5-T (4), dated 24th November, 1927.

Reverting to our last letter of March 19th, we have the honour to request that the decision of the Government of India may kindly be conveyed to us at an early date, for which favour we shall feel very thankful.

No. 6.

*Copy of letter dated 17th July, 1928, from the Pioneer Magnesia Works, to the Government of India, Department of Commerce.*

Re application for protection to the Magnesium Chloride Industry.

Your No. 5-T (4), dated 24th November, 1927.

We have the honour to invite attention to the announcement made in to-day's *Times of India* under the heading of "Protection for Chemicals—Inquiry ordered", according to which the Government of India have issued a communiqué, dated Simla, 26th July, 1928, and have decided to refer to the Tariff Board the representations of the Eastern Chemical Company and the Dharamsie Morarji Chemical Company in regard to certain chemicals mentioned therein.

It is unfortunate that no mention should be made of our Magnesium Chloride industry for which we have already made due representations to the Government long ago.

We presume however that the omission cannot be intentional or that we should be debarred from putting our case before the Board, in view of the altered circumstances now prevailing. May we respectfully, therefore, approach you once again to know what our position now is and whether our papers already before you are or would be forwarded for examination to the Tariff Board or that we are expected to represent our case to them direct or through the Government as the case may be.

We are naturally puzzled and would not wish our case to go by default in any way.

We will, therefore, much appreciate it and would indeed feel very grateful if you will be pleased to let us know how the matter rests giving at least some indication as to what should be done in the matter.

No. 7.

*Copy of letter dated 17th July, 1928, from the Pioneer Magnesia Works, to the Government of India, Department of Commerce.*

In continuation of previous correspondence we have the honour to enclose herein true copies of two recent letters dated 30th June and 11th July, 1928, from Messrs. Allen Brothers and Company (Calcutta) Limited of Cawnpore (who represent us for the sale of our magnesium chloride in the United Provinces) to show what opposition we are still meeting with from the Havero Trading Company in India who claim to represent the Deutsche Chlor-Magnesium Syndicate of Germany. A reference has already been made to them in one of our representations and we have further important correspondence and facts in our possession which will throw a flood of light on the question and especially in regard to their methods and intentions of crushing our industry. This we hope to submit at the proper time and place whenever called up to do so.

*Copy of letter dated 11th July, 1928, from Allen Brothers & Co. (Calcutta), Limited, to the Pioneer Magnesia Works.*

We beg to inform you that the Havero Trading Company are offering German magnesium chloride in this market now at the rate of Rs. 3-6-0 per cwt. f.o.r. Bombay. This makes it difficult for us to obtain business on your behalf and several orders have gone past us recently. We shall be obliged if you will kindly give us the following information:—

(1) Is it possible for you to reduce your price below Rs. 3-8-0 per cwt. nett.

(2) Kindly give the rail freight from Kharaghoda to Cawnpore and from Bombay to Cawnpore for magnesium chloride.



*Copy of letter No. CS. 1/1, dated 30th June, 1928, from Allen Bros. & Co. (Calcutta), Limited, to the Pioneer Magnesia Works, Bombay.*

We are in receipt of your letter, dated 25th instant, and advise that we have interviewed the New Victoria Mills concerning future supplies of magnesium chloride and they are fully booked up for several months ahead. We also received an enquiry from the Atherton West Mills but regret the business was placed elsewhere at more favourable rates. We are quoting for your products to every possible customer and hope to pass you some good indents in the future.

*(3) Letter dated 8th August, 1928 to the Tariff Board.*

We have the honour to enclose herewith for information a copy of the Government of India's Commerce Department's letter No. 5-T.-5), dated Simla, the 8th July, 1928, together with a copy of our reply of to-day's date. Also copy of our letter to the Commerce Department, dated 17th July, 1928.

Judging from the Government of India's correspondence we presume that our three main representations submitted to them along with all other necessary papers and correspondence, etc., have already been duly passed on for the consideration of the Board. We beg to request, however, that should there be any papers wanted or any further information desired from us you will be good enough to call for the same and we shall be very happy to submit any more data required in this connection.

May we further request the favour of your kindly informing us as to whether and when the Tariff Board are likely to meet for conducting the inquiry and taking the evidence of the parties concerned?

Enclosure No. 1.

*Copy of letter, dated 8th August, 1928, from the Pioneer Magnesia Works, Bombay, to the Government of India, Commerce Department, Simla.*

PROTECTION TO THE MAGNESIUM CHLORIDE INDUSTRY.

Your No. 5-T.-5), dated 31st July 1928.

We have the honour to acknowledge receipt of your above letter, informing us that the Government of India's Resolution of 16th July, last, "refers to the Tariff Board, not only the representations of the Eastern Chemical Company and the Dharamsey Morarji Chemical Company, but also any other of a similar nature which may be brought to its notice", for which we are much obliged.

It is now clear that whatever representation we may wish to make, should be addressed to the Tariff Board. We note that the Tariff Board is being furnished with a copy of our recent correspondence with your Department in this connection. We naturally presume therefore that all papers concerning our case have been duly forwarded to them for attention, including the following, viz.:-

- (1) Our original printed memorial submitted to you and the papers listed (from A to K, copy attached) as per our registered letter to you of 26th August, 1927.
- (2) Our further representation dated 23rd January, 1928.
- (3) Our third representation, dated 20th February, 1928.

This is in order to make sure that no papers of vital importance may through any inadvertence remain to be forwarded for the consideration to the Tariff Board, and we should esteem it a great favour if you will be so good as to ascertain about it and to favour us with a line in reply.

## COPY.

Bombay, the 26th August, 1927.

*List of papers forwarded to-day with Pioneer Magnesia Works' covering letter of even date, addressed to the Secretary to the Commerce Department, Government of India, Simla.*

- (a) Six copies of Printed Memorial regarding protection for Magnesium Chloride Industry—together with one copy of petition to Government, dated 21st September, 1926.
- (b) Copy of Company's audited balance sheet and profit and loss statement for calendar year, 1925.
- (c) Copy of Company's audited balance sheet and profit and loss statement for calendar year, 1926.
- (d) Two copies of circular letter, dated October, 1926, from Messrs. P. M. Hutheesing and Sons offering a rebate of £1 sterling per ton on all German imports outside of Bombay.
- (e) Two copies of statement showing foreign imports and Kharaghoda productions as from 1914, up to 30th June, 1927.
- (f) Two copies of comparative costs statement on foreign Magnesium Chloride imported into Bombay and at Port Pkha.
- (g) Copy of letter No. 522/18012, dated Bombay, the 18th August, 1927, from Messrs. E. D. Sassoon and Company, Limited, asking for reduction on their contract price (*vis.*, Rs. 4-2-0 per cwt. Free Bombay Mill delivery and mill weights) owing to probable of 15 per cent. "*ad valorem*" duty from 1st October, 1927.
- (h) Copy of our letter to Secretary, Indian Tariff Board, dated 19th August 1927.
- (i) Copy of our letter to Secretary, Indian Tariff Board, dated 25th August 1927.
- (j) Copy of letter No. 726-A., dated 23rd August, 1927, from Secretary Indian Tariff Board, Calcutta.
- (k) Copies of our Mill Circulars and Comparative tests and analysis of German and Kharaghoda Magnesium Chloride.

Enclosure No. 2.

*Copy of letter, dated 8th August, 1928, from the Pioneer Magnesia Works Bombay, to P. B. Advani, Esq., m.sc., Director of Industries, Old Custom House, Bombay.*

Your No. A.-821476, dated 3rd August, 1928, regarding Bromine.

We beg to acknowledge receipt of your above letter asking what progress has been made by our Company, as regards recovery of Bromine at Kharaghoda and whether the raw material available, is sufficient for the development of the industry on a commercial scale.

In reply we would inform you that in the absence of due protection to our Magnesium Chloride industry for which we have applied to the Government of India since August, last year, it has not been possible for us to incur any further responsibilities in this connection, in spite of our utmost desire to do so.

We are glad to say, however, that according to the Government of India's letter No 5-T.-(5), dated Simla, the 31st July, 1928, our case also will be taken up for examination in the near future by the Tariff Board, and much will depend upon the result of their enquiry. Meanwhile all our energies at present are directed towards improving our main product and effecting economies in production required to meet the unfair competition created by the foreign suppliers of Magnesium Chloride in this market. If adequate protection is granted, we should be only too glad to take up the Bromine problem once again as may be deemed advisable.

We are enclosing herewith a copy of our communication of to-day, both to the Government of India as well as to the Indian Tariff Board, for your perusal.

Before concluding we would inform you that we have been at great pains to have our Magnesium Chloride problem thoroughly investigated by capable experts here and in Europe and we have had a valuable report submitted to us on which we hope to take action at the earliest suitable opportunity. In this connection the undersigned would be glad to have an opportunity of discussing matters with you and we shall be very happy to interview you at your convenience upon hearing further.

Enclosure No. 3.

*Copy of letter, dated 17th August, 1928, from the Pioneer Magnesia Works, Bombay, to the Government of India, Commerce Department, Simla.*

PROTECTION OF THE MAGNESIUM CHLORIDE INDUSTRY.

Your No. 5-T.-(5), dated Simla, the 15th August, 1928.

We have the honour to acknowledge your above letter saying that the Tariff Board have only been furnished with the following correspondence, viz.:-

- (1) Our letter, dated the 21st/23rd January 1928, with enclosures,
- (2) Our letter, dated the 28th February, 1928, with enclosures and
- (3) Our letters, dated the 17th July, 1928, with enclosures, but not our printed memorials of August, 1927, and September, 1926, (of which six copies were sent) nor our various other accompaniments sent to you last year as per copy of list, dated 26th August, 1927.

It appears from your letter that these latter although shown to the Board are not furnished to them, but in as much as they are of vital importance to our case and may be needed for their reference, may we respectfully request that the whole set from the beginning may kindly be sent to the Tariff Board, unless there be any particular objection to this course or if the same be specially required for the use of the Commerce Department. In that case we shall no doubt be happy to have a duplicate set made out again for the Tariff Board. A copy of this letter is sent for the information of the Tariff Board also.

Any other information as to the probable date of the inquiry before the Tariff Board, will also be much appreciated.

Begging to be excused for the trouble given and requesting the favour of a line in reply at early convenience.

Enclosure No. 4.

*Copy of letter No. 5-T.-(5), dated the 15th August, 1928, from the Government of India, Department of Commerce, Simla, to the Pioneer Magnesia Works, Bombay.*

PROTECTION OF THE MAGNESIUM CHLORIDE INDUSTRY

With reference to your letter, dated the 8th August, 1928, I am directed to say that copies of the following letters received from you have been furnished to the Tariff Board :-

- (1) Letter dated the 21st/23rd January, 1928, with enclosure,
- (2) Letter dated the 28th February, 1928, with enclosures, and
- (3) Letters dated the 17th July, 1928, with enclosures.

The Board have also been shown your printed memorial of last year, and the various statements and balance sheets forwarded therewith, but have not been supplied with copies of the same.

(4) Letter dated the 18th October 1928, from the Pioneer Magnesia Works, Bombay.

In continuation of ours of the 11th instant, we have the honour to forward herewith a printed copy of our answers to the Board's questionnaire (of which six more copies are also sent as desired under separate Registered cover).

(The answers submitted below relate only to Magnesium Chloride Industry, unless where otherwise specified.)

*Introductory.*

1. Our Firm of Pioneer Magnesia Works was established in the year 1915. It is a private partnership concern.

2. The whole capital is held by Indians. There are no Directors. Three to four Indians are employed in the superior management of the Firm.

3. The products manufactured by the Company are Magnesium Chloride and Refined Table Salt.

4. We have been manufacturing Magnesium Chloride since the year 1915.

5. As at present equipped, we can easily turn out upto 6,000 tons of Magnesium Chloride and about 400 tons of Refined Table Salt per annum, provided work is carried on all the year round.

6. The figures of actual output for both our products for the past 5 years are as under:—

Calendar year.	Mag. Chloride. Tons.	Refined Table Salt. Bengal Mds.
1923	Nil	3,632
1924	244	1,106
1925	1,411	358
1926	1,965	4,011
1927	2,713	6,286
1928 (up to September)	2,804	4,922

7. Our Works are situated on the outskirts of the Pritchard Salt Works of Government at Kharaghoda. This place is about 18 miles from Viramgam Junction—60 miles from Ahmedabad, and 390 miles from Bombay to the North on the B., B. and C. I. Railway Line. It is a part of the Desert of Cutch, and is about 60 miles from the Gulf of Cutch.

We consider our works advantageously situated in respect of—

- (a) Raw materials, *i.e.*, Bitterns for Magnesium Chloride production, and common Salt for turning into Refined Table Salt.
- (b) Both Coal and Firewood can be easily brought down by Rail *via* Ahmedabad or Viramgam, where there is always a good and regular market for the same.
- (c) Our two main and most important markets are doubtless Ahmedabad and Bombay, but on account of Railway facilities as well as special wagon rates given on the B., B. and C. I. Railway and the allied Lines, our products find a ready market even upto long distances like Delhi, Cawnpore, Indore, Ujjain, Sholapore, Nagpur, etc., which are all big Mill Centres.
- (d) There is enough labour supply readily available for all our requirements, from roundabout places within a short radius from the Works.

8. (a) Our products have come to be recognised as being fully equal in quality and appearance to best imported like materials, *e.g.*, witness the large annual contracts held by us from year to year from some of the biggest and most important mill groups—Indian and European—all over India. We have also had the refined salt contract for the past few years with the Director of Contracts—Army Headquarters, Simla, for the consumption of British troops in this country.

In support, *vide* the comparative analysis and Circulars annexed hereto; also attached lists, of mills all over India to whom we have supplied during 1927-28.

(b) Our products do command almost the same price as the imported articles in most competitive markets, though there are places, *e.g.*, certain quarters in Ahmedabad where a distinction is observed without any particular rhyme or reason except that of prejudice, and the idea of squeezing us as much as possible.

(c) and (d) These are partly covered in (b). The prejudice, however, that did exist before, is fast disappearing owing to improved quality and confidence in our ability to give good service and a genuine article at low competitive prices with promptness and regularity, so as not to leave any room for complaint.

9. (a) and (b) The principal industries in India at present using magnesium chloride are only two, *viz.*, the Textile mills and certain types of Tile factories—which latter though, are few and far between. We have all the same received a fairly big demand of late, for our crystal quality (as against 'solid fused' used by mills), amounting to a few hundred tons, from a certain important Tile Factory near Bombay.

The attention of the Board is further invited to the American Report of 20th September 1924 which was supplied by us and published at pages 71-72 of the previous Magnesium Chloride Report of the Board of the year 1925.

As mentioned therein, Magnesium Chloride is needed for the manufacture of hydro-chloric acid, in making various magnesium salts, as a catalyst in oxidation processes, mixed with common salt as a bleaching agent, in the extraction of sulphur from calcium sulphate, in the making of chlorine and magnesia, beer, paper, and ceramics. It is also used for fire-proofing wood and in the mining industry for the treatment of timbers and to chill drilling tools, as an ingredient in the manufacture of disinfectants and in compounds for laying the dust on roads and as a refrigerating medium.

In textiles, it is used in the dressing and filling of cotton and woollen fabrics; as a size, as a thread lubricant in weaving calico and also in dyeing and in the carbonization of wool. It is further used in the manufacture of fire extinguishers. In the building industry, it is used as an ingredient of magnesia cement in oxychloride flooring which is used in subway cars and kitchens of the new apartment houses in New York. In the making of stucco it is found to be a valuable ingredient, and used extensively in Australia—Great Britain and America.

Its main property is its hygroscopic character whereby it attracts moisture to itself, and when mixed with other size ingredients it keeps the yarn thread pliable and soft.

We further enclose a news cutting dated London, 12th July 1928, marked "Cancer Treatment Declared Success—Magnesium Chloride said to stay ravages of disease—Mice cured—Professor Delbet tried it on himself with good result" which will be found of interest.

Our Refined Table Salt is primarily meant for human consumption but is also extensively required for industrial uses in dyeing—bleaching and so forth.

(c) Our products as far as we are aware are not used for the manufacture of explosives for military purposes.

10. Yes—there are certain inherent difficulties in the way of collecting our raw material “ Bitterns ”, from the salt works.

This precludes us from manufacturing the finished product—viz., Magnesium Chloride all the year round. In the monsoon even with the slightest rain, the Salt Works get under water, so that no Bitterns could be had. Moreover it being soft sandy soil and the Railway sidings in the Runn only meant for use in the fair weather, it is entirely out of question to bring the Bitterns to the Factory in this season. This would naturally tell on our cost of production to some extent.

11. The manufacturing process is fully described in the accompanying Technical Report (sent separately for private and confidential perusal only of the Board) made on our behalf by a well-known Technological expert and Consulting Chemist of Bombay, Mr. Kapilram H. Vakil, M.Sc. Tech. (Manchester), B.A., F.I.C., M. I. Chem. in the year 1926, together with another Report from experts in Germany, as the result of further investigations on our Raw material sent out from here. It is requested that the Report be kindly returned when done with, at earliest convenience of the Board.

#### *Raw Materials.*

12. Our principal raw material is known as “ Bitterns ”. This is really the floating mother liquor left in the pans after the production of sodium chloride, which being the heaviest substance falls to the bottom. Refined Salt is made from common salt by a further process of re-crystallisation as the salt in its original form is rather dirty, and mixed with a lot of dust and other impurities.

13. The quantity of Bitterns required for Magnesium Chloride, varies according to quality and time of collection and other factors, in the proportion of 2 to 2½ tons of Bitterns to 1 ton of magnesium chloride. Thus for a maximum output of 6,000 tons, about 12 to 15,000 tons of Bitterns may be needed annually.

14. This is answered in answer No. 13.

The yield of Refined Salt is usually about 80 per cent. of the total quantity of the common Badagra Salt used, but may vary according to quality.

15. Our main source of supply for the present is the large and extensive, Government Salt Work of Kharaghoda known as the Pritchard Salt Work. But at Dhrangadra and Okha also and various other places all along the Kathiawar coast there are immense untapped sources of supply equally rich in quality and abundant in quantity.

16, 17, 18. So far as we are concerned, the question of foreign importation of any raw materials for the manufacture of any of our principal products, does not arise.

19. There is no question about our industry being fully assured of an abundant supply of the two principal raw materials, viz., Bitterns and Sodium Chloride for any length of time.

20, 21, 22. These questions do not arise in our case.

#### *Labour.*

23. Our manufacturing process as at present, does not require such expert supervision as would involve the employment of any imported skilled labour from abroad.

24 to 26. Do not arise.

27. (a) The total Indian labour employed when both the Magnesia and Salt plants are working in full swing, may be roughly summarised as under:—

*For Magnesium Chloride.*

No. of workpeople employed.

No. (about).

100 On Bitterns Collection Work.

35 Inside the Factory.

15 For other miscellaneous work like firewood supply and for weighing and despatching of drums, etc.

—  
150

For Refined Salt work about 15 men.

(b) Average approximate wage earned runs to about a rupee per man and about 10 annas per woman per diem.

28. Wage bill figures for the past 5 years are as under (for Magnesia Work only):—

Years.	Amounts spent in wages and other labour charges.	
	Rough and approximate only.	
	Rupees.	
1923	.	7,000
1924	.	10,000
1925	.	20,000
1926	.	31,000
1927	.	43,000
1928 (up to June)	.	45,000

29. (a) The Indian labour force employed is quite adequate for our requirements.

(b) It is drawn from within a radius of a few miles only of the Factory.

30. (a) The Indian labourer will certainly improve by proper training and continuous working on the job.

(b) Does not arise.

31. Our labour is housed on the premises in quarters specially provided for them. In times of sickness, trouble, or accident, we further provide them with free medical treatment and other monetary aid, so that on the whole we have reason to believe that they are quite content and happy with their lot, with us.

*Power (including Fuel).*

32. (a) The power used in our Factory is derived from Steam.

(b) In the Magnesia plant firewood is mainly used, and coal in the Refined Salt plant.

Both are readily available from Ahmedabad or Viramgam and other such centres in any quantities and whenever required.

33. The total quantity of firewood used on Magnesium Chloride production averages about 1½ Deshi Mds. (1 Deshi Md.=¼ B. Mds.) of teak firewood to 1 cwt. Magnesium Chloride, which means roughly less than about ¼ ton of firewood per ton of Magnesium Chloride.

34. (a) and (b) The firewood used, costs roughly about Rs. 40 per 100 B. Mds. at the source of supply (i.e., roundabout Godhra district) which is about 150 miles from Kharaghoda. Freight may come to about Rs. 10 so the total cost at works would be approximately about Rs. 50 per 100 B. mds.=4 tons (roughly). Therefore 1 ton=Rs. 12-8 and taking ¼ ton of firewood (or Rs. 6-4) on 1 ton of Magnesium Chloride, the fuel charge per cwt.

works out at, say, 5 annas or so, which is nearly the same as per details given later under that head.

35. Does not arise.

*Market.*

36. Magnesium Chloride production and sales figures for the past 5 years are given below:—

Years.	Production Tons.	Sals. Tons.
1923 . . . . .	Nil (Factory closed)	329
1924 . . . . .	244	778
1925 . . . . .	1,411	1,157
1926 . . . . .	1,965	2,141
1927 . . . . .	2,713	2,694
1928 (up to June) . . . . .	2,804	1,199

(in spite of prolonged and wholesale Mill strikes in Bombay of several months' duration).

We are not aware of any other production in India during the above period.

37. The total demand in India may roughly be computed from 4,500 to 5,000 tons per annum.

38. In the absence of any other uses besides textiles such as those indicated in answer 9, the market here does seem somewhat restricted, without much likelihood of a substantial increase in demand in the near future. There is an unlimited scope however for development for export purposes, as the world consumption of this article is very large and only two countries like Great Britain and America are said to absorb something like 75,000 tons between them according to our information.

39. As mentioned in answer 7 (c), our two chief markets in India are Bombay and Ahmedabad. Our product, however, is in great demand all over India wherever there are Cotton Mills, and owing to railway facilities there is no difficulty in selling even to distant places where special Railway rates apply.

40. (a) and (b) Up to recently we had a distinct advantage at Ahmedabad owing to its short distance (of about 60 miles only) from Kharaghoda, as compared to a lead of 310 miles from Bombay for the foreign article. The cost of clearing and handling from the Docks up to Ahmedabad used to be about Re. 1-6-0 per cwt. but since the opening of the Okha port in Kathiawar and the comparatively shorter Rail journey thence to Ahmedabad, not to mention the cheaper Dock and handling charges at Okha there has been an appreciable saving to Ahmedabad Mills to the extent of fully 8 to 10 annas per cwt. to our detriment.

Then there is a further rebate of £1 sterling per ton allowed by the German Syndicate so that all our advantage has been snatched away, and the Ahmedabad competition is rendered more and more intensive against us. (Vide a comparison given of relative German and Kharaghoda prices at pages 2 and 3 of our Representation of 28th February 1928.)

Ahmedabad represents about 1/3rd of the total annual consumption in India, because of the fact that owing to very dry weather and a much higher size percentage used, the mills there consume on an average 5 tons or more per 100 looms per annum, as compared to about half the quantity or less in Bombay, where there is greater natural humidity and a finer cloth is pro-



duced. We may safely divide the probable consumption in the following way:—

	Annual quantity likely used.
	Tons.
Bombay . . . . .	2,250
Ahmedabad and Guzerat . . . . .	1,750
Rest of India . . . . .	750

Say, Total . . . . . 4,700 to 5,000

Our sale figures could be easily verified from the statements separately furnished.

41. Yes, we can export our Magnesium Chloride outside India, provided, equal opportunities be had as regards shipping facilities and freights as are enjoyed by our more powerful rivals, who have a virtual monopoly for years past in the world markets and who being more firmly established, can afford with impunity to put obstacles in to eliminate any new competition.

As a matter of fact we have succeeded in making a beginning, *e.g.*, witness the following statement to show the various small trial consignments made by us to Foreign Ports within the past couple of years or so.

Name of Port	Quantity shipped.	Average Price F. O. B. Bombay per ton.	Average price realized c.i.f. Port of Export per ton.	Freight per ton.
		£ s. d.	£ s. d.	
	Drums tons.			s.
Liverpool . . . . .	} 4:8 150	4 3 0	5 11 0	28/
Glasgow . . . . .				
Sydney . . . . .	201 71½	4 16 2	6 14 0	38/
New York . . . . .	30 9½	..	...	40/

These may, however, be said to be purely in the nature of experiments and done only with a view to gain some experience and test the possibilities of the foreign market, and we hope that this factor will not be used in argument against us regarding the grant of protection, for which the present application is made. Moreover, it should be remembered that this is made possible on account of the comparatively higher rates prevailing in the foreign markets, as seen from the following figures:—

*Ruling prices of German Magnesium Chloride at c.i.f. different Ports—per ton.*

Great Britain	Australia.	America.	India.
£	£	G. \$	£ s. d.
5½ to	7 to 7½	35.00	3 19 0

(This includes a duty of 4ths ct. per lb. (i.e., about 50% *ad valorem*)

The disparity is too glaring and significant to speak of. Signs are not wanting, however, to show that the German Syndicate has begun to take cognizance of our efforts to compete with them and have already started reducing their rates in the foreign markets by slow degrees to shut us out. Our exports, however, small and insignificant, are enough to prove that there is nothing inherently wrong about us and that provided we can compete on level terms, there are great possibilities before us of expanding and building up a nice foreign trade which is bound to result in some benefit to our country.

Our internal position, however, is rendered more and more precarious without sufficient safeguards or protection against the all powerful German Syndicate that is strenuously trying to strangle us in our own country. In proof of this we beg to furnish herewith for the Board's confidential perusal and return, a file containing some interesting memos. of our interviews and correspondence with their accredited Agents in Bombay, who are themselves a very formidable concern doing an annual turnover in India in Dyes and Chemicals of about 3 crores of rupees and whose establishment alone runs to the respectable total of about two lakhs of rupees per month. This will throw a flood of light on their mentality and will also give some idea of the nature of the opposition we are up against, and we confidently hope that neither the Board nor the Government will allow one of our own nascent industries (no matter how small) to languish for no fault of its own, or be subjected to such threats and bullying on the part of foreign interests, with one sole idea of obtaining a dominating hold in this country. How would Germany tolerate this situation in her own country if the position were reversed by any chance?

42. (a), (b), (c) This substance being of no particular use to Government or to other public bodies or departments is naturally not purchased by them. Our other product, however, viz., Refined Table Salt is bought on annual contract for the last few years by the Director of Contracts, Army Headquarters, Simla, for the use of the British Army in India. The question of protection for this, however, not being before us, details as to prices and quantities sold, are not given.

#### Foreign Competition.

43. Germany first and foremost, is the keenest competitor we have, here and elsewhere. By virtue of its monopoly in the markets of the world, proper safeguards are required to protect a much younger and weaker Industry like ours at least in the beginning to prevent its being wiped out.

44 and 45. We cannot do better than refer the Board again to the Technical Reports as regards conditions of manufacture and the process adopted in the competing country, viz., Germany. (Vide also answer 11.)

46. Imported Magnesium Chloride costs, as per our rivals' latest price-circulars (copies enclosed) as under:—

Cost of Magnesium Chloride:—

	Rs.	A.	P.
	C i f. Indian Port.		
At £3-19—per 1,000 kilos at <i>ex s.</i> 1-6 . . . . .	52	10	8
(kilos 50.08 = 1 cwt.)			
Dock fees and clearing charges . . . . .	6	5	4
	<hr/>		
TOTAL . . . . .	59	0	0

i.e., Rs. 2-15-3 per cwt. delivered free at godowns or Mill premises in Bombay.

The freight and insurance charges from Hamburg to Bombay or Okha are s. 25 a ton. The f.o.b. Hamburg price would therefore come to £2-14-0. Again from Hamburg to Stassfurt which is the home of this industry in Germany there is a canal lead of about 250 miles costing about 8 shillings, freight extra, and a further 8 shillings per ton goes in Agency commissions at both ends. This when deducted would bring the Factory price to about £1-18-0 per 1,000 kilos which would make at s. 1-6, say, Rs. 25-5-4 per ton. This is supposed to include packing, overheads, margin of profit and all other charges.

The packing is a heavy item and must cost them at least 6 to 8 annas per cwt., thus leaving the production cost with overheads of the naked Magnesium Chloride ex Works at about Rs. 15 to 16 per ton or, say, Re. 0-12-0 per cwt.

This will give a rough and approximate idea of our rivals' production costs, and will also enable the Board to draw their own conclusions as to any charge of dumping or otherwise that could be levied against them. Since October 1927, the prevailing customs duty of 15 per cent. *ad valorem* has been taken off to placate the Indian Mill Industry. But why the same has been retained on similar products of mill use like Epsom Salt and Zinc Chloride, we do not understand?

Landing charges at two of the most important ports of entry in India, viz., Bombay and Okha, are given below:—

	Rs. A. P. per ton.
Bombay Dock fees and clearing charges . . . . .	6 5 4
Okha Dock fees and clearing charges . . . . .	0 15 0

(ii) For prices realized on our Magnesium Chloride for the past several years, we beg to refer the Board to the comparative statements of both Kharaghoda and the foreign article, separately furnished.

It is difficult to give an all-round correct figure of our sales realization, inasmuch as conditions are not the same. Our sales are sometimes made ex Works or up to Ahmedabad or Bombay mill deliveries, also at f.o.r. destinations in certain cases, to suit the exigencies of each individual case. It would, therefore, entail a great burden on us to sort out these things in order to bring the sale figure to one uniform level.

47. (a) and (b) For the purpose of ascertaining the c.i.f. prices the best guide would be the official Bombay Customs Returns of which a complete statement from years 1915 up to now along with the Kharaghoda figures, is separately given for the information of the Board. Similar Returns for Port Okha (which has sprung into prominence since the last 2-3 years only) although called for several times, are not available up to date.

Further information in this respect could also be gathered by reference to principal importers like the following:—

- (a) The Sizing Materials Coy., Ltd., Ismail Building, Hornby Road, Bombay.
- (b) Messrs. Purshottamdas Popatlal & Co., Dean Lane, Fort, Bombay.
- (c) P. M. Hutheesing & Sons, Appollo Street, Fort, Bombay.
- (d) Haverro Trading Co., Ltd., Haverro House, Ballard Estate, Bombay.
- (e) The Union Chemical Agency, Appollo Street, Fort, Bombay.

These are all however, competing firms.

48. (a), (b), (c) According to our information, there is a powerful Syndicate known as the Deutsche Chlor-Magnesium Syndikat which is composed of all the Magnesium Chloride manufacturers of Germany. The whole of the export trade in this article is concentrated and done by the Syndicate through four "general agents" in Germany who in turn appoint local agents for the Indian Market, with the Syndicate's approval and consent.

The "general agents" may be getting 4 to 5 per cent. commission from the Syndicate and an equal amount is paid to the Indian Agents, whose names as far as we understand at present are:—

Messrs. P. M. Hutheesing & Co.  
 „ H. Desai.  
 „ Purshottamdas Popatlal & Co.  
 „ G. A. Mahomed.  
 „ Francis Klein.  
 „ Havero Trading Co., Ltd.  
 „ Popatlal Jesingbhai & Sons.

The Syndicate makes the invoices and draws on the Indian Agent through the "general Agent" in Germany. The Syndicate further settles the sales policy and control prices from time to time in the different places. The actual drums exported, come out from various sources and are not restricted to any particular Factory.

As to the effect of the Syndicate's operations upon our working and prices, ample evidence is given at various places in our Answers to the Questionnaire.

49. In our answer No. 46 an attempt has been made to show what the German cost *ex-Works* may be. According to that reasoning, the price of the naked Magnesium Chloride realized by them works out at about Re. 0-12-0 per cwt. This is inclusive of production costs, overheads, and margin of profit, etc., but exclusive of packing.

Deducting at least 4 annas therefrom for overheads, the Production Cost—pure and simple—would come to Re. 0-8-0 per cwt. at a rough estimate.

The Technical Report states that this has also got to be manufactured in some way in Germany, contrary to our previous erroneous idea that as a bye-product, they had simply to pack it off to us without any further treatment or preparation.

Mr. Kapilram further lays down in his Report the actual approximate cost of production at 25 marks per ton of the naked fused Magnesium Chloride *ex-Works* without any overhead or general charges. At ruling exchange, this means about Rs. 8-8-0 per ton or about 7 annas (roughly) per cwt. This nearly approximates to our own calculation above given.

The Board will thus see that the above rock-bottom price leaves no margin at all to the German producer and it clearly proves that it is nothing but downright 'dumping', done with the sole idea of first putting us down, and then thinking of making a profit to their heart's content, when the local industry is "*non est*".

50. (a) and (b) The only bye-products available from Bitterns after production of Magnesium Chloride are Bromine, Epsom Salt, Glauber Salt and Potassium Chloride.

These are fully discussed in Mr. Kapilram Vakil's and the German Technical Reports above referred to.

We are, however, prevented from taking full advantage of their recommendations, because of certain special difficulties which make it altogether uneconomical if not positively risky for us to do so, under present circumstances at Kharaghoda. Unless our position be more secure, our hesitation to sink in further capital and to instal an up-to-date plant is excusable, involving as it does a wholesale scrapping and re-casting of our present working conditions at Kharaghoda.

51. Foreign competition (with Germany) is no doubt keenest in Bombay and Ahmedabad which by far are our largest markets in India. We are also at some disadvantage in such places as are best served from Bombay direct upon importation.

52. (a) Please consult the Table of Foreign Imports separately given which will show at a glance the trend of prices right from the beginning, i.e., from 1915 up to now.

(b) The fall in price since the War is doubtless due to a steadying down of the unsettled conditions all over the World as also in Germany.

(c) These causes may be safely regarded as permanent. They are not likely to fluctuate to any very great extent except only to suit the trade exigencies and more particularly the working policy adopted from time to time by the Syndicate to control prices.

53 and 54. The freights payable on our Magnesium Chloride from Kharaghoda to different important Mill Centres on full wagon loads on the B. B. and C. I. Railway and allied Railway lines with mileages and rates per unit per mile now in force are given below:—

(N.B.—For calculating the unit of freight rates per mile, a 16-ton Wagon unit is taken.)

1 Names of important stations on which special rates are given.	2 Distance in Miles from Kharaghoda to stations mentioned in previous column.	3 Rates in force.		4 Rate per unit per mile (unit of 16 ton).
		Per B. Md.	per cwt.	
	Miles.	Rs. A. P.	Rs. A. P.	Rs. A. P.
(1) Bombay (C. C. B. & B. P. T. Ely.) and Mahim & <i>via</i> Dadar . . . . .	373	0 6 2	0 8 5	0 7 2½
(2) Surat . . . . .	206	0 5 9	0 7 10	0 12 2
(3) Broach . . . . .	169	0 5 2	0 7 0	0 13 3
(4) Baroda . . . . .	125	0 4 0	0 5 5	0 13 10
(5) Nadiad . . . . .	92	0 3 4	0 4 6	0 15 8
(6) Ahmedabad . . . . .	63	0 3 0	0 4 1	1 4 9
(7) Virangam . . . . .	23	0 1 8	0 2 3	1 15 3
(8) <i>Via</i> Wadhwan . . . . .	63	0 2 9	0 3 9	1 3 0
(9) Cambay . . . . .	137	0 5 2	0 7 2	1 0 9
(10) Ujjain . . . . .	328	0 8 10	0 12 0	0 11 8
(11) <i>Via</i> Agra . . . . .	560	0 12 3	1 0 8	0 9 6
(12) Delhi . . . . .	561	0 12 4	1 0 9	0 9 7
(13) Cawnpore . . . . .	767	0 13 11	1 2 11	0 7 11
(14) Indore . . . . .	342	0 9 0	0 12 3	0 11 3
(15) Beawar . . . . .	194	0 8 2	0 11 1	0 12 0
(16) Bhiwani . . . . .	497	0 12 4	1 0 9	0 10 9
(17) Nagpur . . . . .	657	1 3 2	1 10 1	0 12 8

Accurate information, however, as to similar carriage in the case of the foreign product from Bombay and Okha to like Mill Centres is not with us.

It is difficult to answer this question categorically in the absence of any reliable information or details as to prevailing costs in rival countries on the following items, *viz.* :—

- (a) Plant and Machinery.
- (b) Expert labour.
- (c) Efficiency of ordinary labour.
- (d) Collection and transport of raw materials.
- (e) Cost of raw materials and stores.
- (f) Freights on finished goods.
- (g) Maintenance costs.
- (h) Customs duty on imported materials.
- (i) Raising of Capital.

This, however, could be gathered from the Technical Reports and the observations therein made.

The cost of imported plant and machinery to us would certainly be heavier than to our rivals, as they themselves are the makers in their own country.

The local labour also though cheap in first costs, cannot be compared to the more expert labour and devices employed in Germany. These factors and the up-to-date processes employed by them would naturally give our rivals a greater pull over us as regards most of the items above referred to.

56. This disabilities indicated above are more or less of a permanent nature and will continue, so long as we are not able by force of circumstances or for want of adequate support and facilities in our own country to come up to their level.

We honestly believe, however, that given due protection and encouragement which would allow us to consolidate our position and to instal more efficient plant and methods of work, we shall soon come up to their stage, and will be able to drive out every ounce of the foreign article without any extraneous assistance.

#### *Internal Competition.*

57 and 58. (a), (b) At present we are about the only people manufacturing this article in India. But some time ago there was another Company also working in competition with us in the neighbourhood, *viz.*, at the Kuda Salt Works of the Dhrangadra state. This place as the crow flies is not more than about 10 to 15 miles from Kharaghoda. Its operations have ceased however after the War owing to unequal competition with Germany and other causes.

The extensive new works started by the Dhrangadra Durbar at a cost of nearly a crore of rupees, and known as the Shakti Alkali Works, are primarily meant for manufacturing heavy chemicals from Salt like Soda Ash, Caustic Soda, etc., but there is no knowing when they may turn their attention to this manufacture also.

Besides, since the recent flotation of the Okha Salt Works, Limited, in Kathiawar on a pretty extensive scale, further arrangements have been made to start Magnesium Chloride manufacture there also. But as this meant very serious internal competition with us owing to their superior natural advantages and other facilities enjoyed by them, we were obliged with the full concurrence of the Government Salt Authorities to whom we are under Royalty obligations, to join forces with the Okha Salt Works, Ltd., and we have now decided to put up an additional Bye-products plant at Okha also under suitable arrangement with them. This is expected to come into operation from next year if all goes well.

*Equipment.*

59. (a) We consider our Works sufficiently large as an economic unit of production for all practical purposes as at present.

(b) The smallest present-day economic unit of production, in our opinion, is about 3,000 tons per annum.

60. Our product does not need the use of any very elaborate or expensive machinery.

61. Out of a total outlay of Rs. 2,82,000 employed in the business according to last Balance sheet of 31st December 1927 (copy enclosed), the cost incurred on plant and machinery shows at Rs. 1,51,830 which represents about 54 per cent. of the total investment.

62. A description of our Plant and Machinery will be found in the Technical Reports herewith submitted.

63. Though not quite so modern or up-to-date, the equipment and process employed by us hitherto has stood the test of time well, and given good satisfaction as regards quality, efficiency and price.

Thus it may safely be assumed that given equal opportunity, our products and methods are such as would successfully withstand any legitimate competition however keen.

64. The reason why in spite of our utmost desire, we have been unable to instal a new plant on the lines suggested by the experts who have studied the problem closely, has been indicated in our previous answers. We may mention, however, that the Report lays the greatest stress on the basic collection of the Bitterns within only a few days of the discharge from the salt pans. This is with a view to better production and further recovery and utilization of the valuable salts otherwise lost in the ground. But to tackle this problem successfully, means a wholesale scrapping of the existing plant and a thorough reorganisation of the present working conditions. This would involve a further large captial outlay which we are hardly justified in sinking unless the constant dread of killing competition and possible elimination, which hangs like a sword of Damocles on our head is removed, as the result of the present inquiry by the Board.

65. Excepting that portion of the plant which can be installed locally or safely manufactured here, all other parts of machinery and new plant that may have to be installed later, will necessarily have to be imported from abroad.

*Capital Account.*

66. The block value of our property as per last Balance sheet of 31st December 1927 under different heads shows as under:—

	Rs.	A.	P.
(a) Leases and Concessions . . . . .			Nil.
(b) Lands . . . . .			Nil.
(c) Buildings . . . . .	51,432	2	0
(d) Plant and Machinery . . . . .	64,941	9	6
(e) Other miscellaneous assets—			
		A.	P.
Motor Lorry . . . . .	32,000	0	0
Bittern Wagons . . . . .	2,280	0	0
Sundries . . . . .	166	0	0
		34,446	0 0
		<hr/>	
TOTAL	1,51,829	11	6

67. The figures given in answer 66 represent the actual costs incurred on the various assets. The depreciation amount now standing, as per last Balance sheet of December 1927, is Rs. 58,900 plus an equal amount appropriated before by the Partners, from the old depreciation fund some years ago.

68. Since 1922 the depreciation has been calculated at the rates allowed for by the income-tax authorities under the Indian Income-tax, 1922 (*vide* answer 82 (a) also).

69. In the absence of any definite inquiries made or tenders invited it is difficult to answer this question offhand with any accuracy.

70 to 74. Ours being a private partnership concern, these questions do not apply in our case.

75. According to present estimates an additional capital outlay of about Rs. 1,50,000 (one and half lakh) may be needed to carry out the scheme of replacement or extension of the plant as contemplated in the Report.

#### *Cost of Production.*

76. (a) Works Costs and (b) Overhead Charges.

With the Board's permission and without confining ourselves wholly within the four corners of the Questionnaire, we would like to make the following observations, which we hope will give a fairly full idea of our detailed costs under each head. We are showing both our Works costs and Overhead charges, with explanatory notes wherever necessary.

All the annual lump expenditure according to our Books of Account under each item, has been already shown in a separate statement, right from 1915 up to now. Under the circumstances we find it more convenient to show here the per cwt. costs in detail as summarised below, which we trust will meet with the Board's approval.

#### *Forms I and II Combined.*

Showing actual production costs per cwt. of Kharaghoda Magnesium Chloride based on a Production Unit of 3,000 tons per annum.

#### *Raw Material.*

Heads. Rs. A. P.  
I 0 3 6

Bittern Collection Charges.

NOTE.—This is the actual charge as settled on piece-work for the past few years, per cwt. on Magnesium Chloride production.

#### *Works Labour.*

II 0 2 0

Making charges in the Factory.

NOTE.—As above.

#### *Power and Fuel.*

III 0 5 6

Firewood charges.

NOTE.—These are based upon experience of actual consumption and costs incurred.

(*Vide* also observations made in foregoing answers 33 and 34.)

IV 0 2 0

Ordinary current repairs and maintenance charges.

NOTE.—These are based on our annual average expenditure of a few thousand rupees under this head divided by tons 3,000 or cwt. 60,000 production.

V 0 2 0

General services, supervision and local office charges.

NOTE.—As above.



*Power and Fuel—contd.*

Heads.	Rs.	A.	P.	
VI	0	0	10	Government Royalty at the rate of rupee one per ton on Magnesium Chloride despatched from Kharaghoda according to new arrangements.
VII	0	0	8	Miscellaneous, e.g., rents, taxes, insurance, travelling expenses, etc.
				NOTE.—As above.
VIII	0	11	0	Drums and packing based on production costs.
<b>TOTAL</b>	<b>1</b>	<b>12</b>	<b>0</b>	

*Total Production Cost.*

NOTE.—Our drums are 3' (high) × 2' (diameter) containing about 7 cwt. each. Our usual practice is to import from Home plain galvanised close-annealed sheets of a good quality—about 26" gauge and 6' × 3' size for circumference and 8' × 2' for tops and bottoms. We then get the drums made on the spot at Kharaghoda on contract. Local sheets being unavailable, they have got to be imported, on which a specific duty of Rs. 30 per ton is levied. In spite of an appeal to Government to exempt this from duty, it is not allowed. Sheets cost round about £18 to £20 per ton c.i.f. Okha. The cost of sheets per drum, comes to about Rs. 3½ to Rs. 4 plus Re. 1-8-0 extra for making charges and other material used, i.e., in all Rs. 5 to Rs. 5½ per drum complete. This is equal to 11 to 12 annas per cwt. as shown here on the finished product.

*Overhead Charges.*

0	2	0	} Re. 0-12-0	Head office establishment and charges incurred annually (based on an yearly expenditure of about Rs. 7,500 divided by 60,000 cwts).
0	3	0		Depreciation (according to fixed Schedule rates as determined by Income-tax rules, Rs. 11,000 divided by 60,000 cwts.).
0	3	0		Interest on Capital roughly amounts to about Rs. 11 to Rs. 12,000 per annum divided by 60,000 cwts.
0	4	0		Selling charges Commissions, Discounts and Shortage allowances, etc. (as Mill weights are accepted).
<b>TOTAL</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>Total Production Cost per cwt. f.o.r. Kharaghoda (without any margin of profit).</b>

NOTE.—This consists of 5 to 6 per cent, commission payable to our selling Agents at Bombay and Ahmedabad plus discounts and short weight allowances payable from time to time according to business exigencies. This means a great saving in Office charges at both these centres.

Add Railway freight and handling charges up to mill premises in Bombay and Ahmedabad.

*Up to Bombay Mills. . . . . Up to Ahmedabad Mills.*

Per cwt.		Per cwt.	
Rs. A. P.		per B. Md.	Rs. A. P.
Railway freight at Re. 0-6-2 per B. Md. . . . .	0 8 6	Railway freight at Re. 0-2-9 Terminal Tax at Re. 0-1-6 . . . .	0 3 9 0 2 0
Handling from Railway to godown . . . . .	0 2 6	Railway to godown . . . . .	0 1 6
Godown to Mill . . . . .	0 2 6	Godown to Mills . . . . .	0 1 6
<b>TOTAL</b>	<b>0 13 6</b>	<b>Total</b>	<b>0 8 9</b>
<b>Add cost</b>	<b>2 8 0</b>	<b>Add cost</b>	<b>2 8 0</b>
<b>GRAND TOTAL</b>	<b>3 5 6</b>	<b>GRAND TOTAL</b>	<b>3 0 9</b>
For Bombay Mill Delivery.		For Ahmedabad Mill delivery.	

Other centres pay their own Railway freight.

Compare the above charges with the following costs of the German Magnesium Chloride up to Bombay and Ahmedabad Mill premises respectively on a like basis:—

Fixed price c.i.f. Indian ports according to latest price-circulars is—  
£3-19-0 per short ton.

For Bombay—

Kilos.	Rs. A. P.
£3-19-0 per 1,000 kilos (50·08=1 cwt.) at s. 1-6 exchange . . . . .	52 10 8
Add Dock and clearing charges per ton . . . . .	6 5 4
<b>TOTAL</b>	<b>59 0 0 Per ton.</b>

i.e., Rs. 2-15-3 per cwt. free Bombay godown or free Bombay Mill delivery.

For Ahmedabad—

£3-19-0 per 1,000 kilos, i.e. . . . .	52 10 8
Dock and clearing charges at Okha per B. Md. . . . .	1 0 4

	Per ton.
	Rs. A. P.
Railway freight up to Ahmedabad . . . . .	0 9 6
Town duty at Ahmedabad . . . . .	0 1 6
Handling up to Mills . . . . .	0 1 0
<b>TOTAL</b>	<b>20 15 0</b>

i.e. Rs. 1-9-0 per cwt.  
or Rs. 20-15-0 per ton.

**TOTAL** . . . . . **74 10 0 per ton.**

i.e., Rs. 3-11-0 per cwt. Ahmedabad Mill delivery.

77. Without going into details, it may be mentioned that when production falls below the economic level of, say, 3,000 tons per annum, necessarily the cost of production will jump up on account of higher Overhead and Depreciation, Interest, Establishment, and such like charges.

78. Our Works costs for the last year (*viz.*, 1927), are not abnormal in any way. A further answer to this may be gathered from the detailed costs given in answers 75 and 76. If the output is more than 3,000 tons the overhead costs would naturally fall "*pro rata*".

79. No, we are not particularly following a system of cost accounting as noted in the question.

80. It is difficult to answer this question correctly although we have tried to indicate the *ex-Works* costs in Germany in our previous answer. *Vide* also information given in the Technical Report.

81. Our main manufacture is Magnesium Chloride. Owing to the comparatively small quantity of Refined Salt also made, for which separate Books of account are maintained, and depreciations and other such heads separately provided for, our Magnesia costs are not particularly affected and hence no relative proportions are given here.

#### *Depreciation.*

82. (a), (b), (c) The rates of depreciation as allowed by the Income-tax Authorities are shown as per separate statement.

Except as regards our copper boiling pans which are subject to a good deal of corrosion and rapid deterioration than allowed for by the Income-tax Authorities, we have no particular complaint to make as regards any other items.

#### *Working Capital.*

83. On an output of 3,000 tons, the working capital required would be roughly from 1½ to 2 lakhs of rupees according to cost particulars given in our answer under that head.

84. In addition to all the capital advanced by the principal partner Sir Rustom J. Vakil up to now, we maintain a separate banking account also and borrow from time to time according to requirements and circumstances.

85. The amount of any additional working capital required varies, according to prevailing circumstances and the stocks held, not only of the finished product, but also of materials like empty drums, sheets, fuel, and such like stores in constant demand. It cannot, therefore, be determined with accuracy. The interest rate as a rule varies from 6 to 7½ per cent. per annum.

86. Taking our total working costs at Rs. 2-8-0 per cwt. or, say, Rs. 3-4-0 including the Railway freight borne by us in the case of Bombay and Ahmedabad, and multiplying the same by an annual production of 60,000 cwts., the working capital needed may for argument's sake be put down at Rs. 1,92,000 per annum. This would mean tons 250, *i.e.*, cwts. 5,000=16,000 rupees per month.

87. The average value of the finished stocks, varies according to the quantities held from year to year. For the information of the Board, it may be stated that owing to peculiar Kharaghoda conditions, we can only work normally or at full swing between the months of January and May, when alone fresh Bitterns of sufficient purity and strength could be freely had from the Salt pans. Our practice therefore is to manufacture as much as we can or may require within this period, leaving as large a stock of the finished product as possible to sell from, during the succeeding 6/7 months of the close season.

The quantity made or left on hand would naturally depend on the off-take and the prevailing Mill conditions. However, anywhere from 3,000 to 5,000 drums are left in hand at the close of the Factory. As a matter of fact, the actual stock left with us on 30th June 1928 on the Factory premises, was about 4,000 drums and that with the cost of the finished product *plus* the

value of the sheets and empty drums and fuel, etc., the total amount needed may come to about 50,000 to 75,000 rupees.

The actual intervening period between production and payment is not easy to determine, but that between sales and payment may be set down at from 2 to 3 months on an average.

88. Raw material, i.e., Bitterns has often to be stored at the Factory in fairly good quantities, to cope with any unexpected rush demand. To this may be added the further amount needed for fuel and for stocks of empty drums and drum sheets, etc., which would all come to about Rs. 25,000 roughly.

*Agent's Commission and Head Office Expenses.*

89 to 93. Ours being a private partnership Company, all the questions raised here regarding Managing Agents and so on, do not concern us in any way.

*Claim for Protection.*

The various arguments advanced by us from time to time, in favour of protecting this Industry, will be found enumerated and published in the previous Printed Report of the Tariff Board of the year 1925. These are no doubt within the Board's knowledge. Their attention is further invited to our printed Memorials of 21st September 1926 and 15th August 1927 and to our two subsequent typed Representations, dated 23rd January and 28th February 1926, to the Government of India, Commerce Department.

It may well be however to summarise these points below as briefly as possible with special reference to the Questionnaire before us, and we now propose to discuss the same as under:—

94. (a) Reference to para. 97 of the Fiscal Commission's Report.

We do claim that our Industry possesses natural advantages, e.g., abundant raw material not only at Kharaghoda but in many other places roundabout; it does not require the use of any very elaborate plant or expensive power; the labour supply is more than sufficient; and last not least, there is a large market ready at hand. Thus all the requisite conditions are amply fulfilled.

(b) We further claim that circumstanced as we are, and faced with such strong and unequal opposition, without adequate protection our Industry has not much chance to survive, much less to develop on the right lines or as rapidly as possible in the best interests of our country.

(c) We are fully confident of our ability ultimately to face the world competition without any protection. From the evidence already tendered, the Board we hope will be satisfied that our Industry does fulfil all the conditions laid down by the Government of India and approved by the Legislative Assembly. Under these circumstances and in view of the full and frank statement already made, no useful purpose will be served by dilating further or repeating and wasting the valuable time of the Board.

95. Regarding para. 98 of the Fiscal Commission's Report, we certainly claim that our Industry fulfils both the conditions, viz. —

- (a) That a large scale output will mean considerably decreased overhead charges and will lead to further appreciable economies in the production costs. As an instance in point, we would request the Board to turn to Schedule B (published at page 81 of the printed Report) of Comparative Costs based on an annual output of 3,000 tons as against 1,000 tons only. On comparing the same with the present state of affairs and looking to the figures of actual production and costs during the past 2/3 years, the Board will see the truth of our proposition, and realise that ours was no idle boast, but that we have really carried out our promise by actually producing 3,000 tons at a substantial saving in costs.

(b) Moreover, given adequate protection, we make bold to assert that in a very short time—possibly within 5 years—we shall succeed in driving out and replacing every single ton of imported Magnesium Chloride, without abusing our position in any way, or unduly profiteering at the cost of the consumer. It may, moreover, be pointed out, that it is wholly due to our intervention that the foreign supplier has been unable to fleece the Mill Industry or to exploit the local market to his heart's content and if necessary, we are even prepared to give a suitable guarantee, to disarm any false fear or suspicion as to our profiteering at the consumers' expense, in the event of protection being granted to us.

96. This is more or less a hypothetical question. For after all, it is purely a matter of opinion and would depend upon the meaning put upon the words "Importance on national grounds". Small as our Industry may be, we consider it to be of sufficient importance and potentiality in the future. Apart from any economic considerations, we think it deserving to be considered of sufficient "national importance" and therefore worthy of support, as much as any other larger or more important industry provided, of course, the claim be established.

97. In our opinion there are many features of the industry, which do make it peculiarly adapted to Indian economic conditions.

98. It is the primary duty of a partriarchal Government to see that the country's industries—at least those that can establish their claim as to various conditions adumbrated by the Fiscal Commission—put on a sound footing and freed from any foreign domination as is clearly the case here. Apart from what we may say or suggest, the Tariff Board are the best judges of it, and after due and careful investigation of the problem, as a whole, they will doubtless be able to determine and devise the necessary measures which may be deemed advisable for the purpose.

In our humble opinion and looking to the ramifications and resources of the Deutsche Chlor-Magnesium Syndicate, their operations do certainly need careful watching. We would therefore consider some protection against 'dumping' absolutely necessary, to safeguard the interests not only of the manufacturers of this particular article but also of the much more wider and important mill interests which would otherwise suffer by being left entirely to their mercy.

99. (a) Since the removal of the 15 per cent. *ad valorem* duty on this article from October 1927 to placate the Mill Industry, our Industry gets no protection at all. The saving, however, to them is negligible, being only Rs. 150 or so per annum per Mill—big or small.

(b) Transport charges between the country of production and the port of entry, i.e., freight, insurance, trade and landing charges, etc., have all been discussed in our previous answers and statements and need not be repeated.

100. As regards the actual protection needed, it would be difficult to give an offhand or categorical answer. It requires to be carefully studied from various standpoints, and more especially from the point of view of fluctuating conditions and devices employed by our foreign rivals or their local Agents, to get round and nullify the effect of any concessions granted by the Board. The Board after all are the best judges of it. We might, however, just indicate the following lines on which protection might be desirable under present conditions.

Basing our calculations on the present fixed price of £3-19-0 per 1,000 Kilos c.i.f. Indian port (equal to about Rs. 2-10-0 per cwt. c.i.f. Bombay on Okha), it appears that the first thing to do would be to restore the "*Status quo ante*" by re-imposing the 15 per cent. customs duty in force before October 1927 on tariff values.

Secondly to put a protective or anti-dumping duty of another 15 per cent. if not more, as an additional safeguard, against our flooding or further unwarranted reduction in prices simply to crush us.

Thirdly to exempt our drum sheets from the existing customs duty of 30 rupees per ton on importation or failing that to allow a refund of duty on production of satisfactory proof by us. The reason for this is that packing is a very heavy item, and forms nearly 40 per cent. of our production costs as per detailed answer under that heading.

101. We can safely however have the whole question of protection to the judgment of the Board; and we have no doubt that after careful sifting of the case, they would come to sound conclusions, having due regard to the needs and requirements of this industry as a whole, as also of the much more important and wider circle, to whom our product is so essential for daily use.

*Brief summary or arguments in favour of Grant of Protection to the Magnesium Chloride Industry, with special reference to the Tariff Board's Questionnaire (Page 8), under the heading of—*

#### CLAIM FOR PROTECTION.

(1) Natural advantages in respect of raw material, cheap power, ample labour, and a large market near at hand. At page 4, para. 8, of the published Report of 1925, the Board themselves have mentioned that in respect of two out of the three conditions laid down by the Fiscal Commission, "the claim has been made good."

(2) In para. 10 the Board have, however remarked that "the manufacture in India cannot be carried on except at a heavy loss." The answer to this can be well judged from our Balance sheets (herewith submitted) for the years 1925, 1926 and 1927, as also from our Books of Account.

It will be noticed that in spite of our previous applications being rejected, we have stood the ground firmly and have increased our production, and reduced costs. In fact we had practically begun to wipe off the deficits and to turn the corner, when all of a sudden the removal of the 15 per cent. duty and the further rebate of £1 per ton on imported German Magnesium Chloride and other adverse causes beyond our control, proved much too strong for us, and have rendered our position altogether precarious. This has driven us to seek protection. Otherwise we would never have cared to do so.

(3) As regards the Board's remarks about the two crucial points, viz., "the probable price of the imported article and the probable cost of production in India" (para. 10 of the printed Report), we have provided ample material in the present application to show the true position, and we fully hope that the facts and arguments given, will materially strengthen our case for protection.

(4) We feel sure that whatever adverse views may have been held before by the Bombay Chamber of Commerce and the Bombay Mill Owners' Association (para. 19 of Report), after due examination of our present case, they will see their way to change their views and come to a different conclusion, if not actually support our case. Moreover, the Bombay Government have already vouched their support in favour of protection and we believe that even now, if the views of the Collector of Salt Revenue, Bombay (under whom we are working) and the Director of Industries (who is also conversant with our case) are ascertained, they will amply support our case.

(5) "Doubts as to the ultimate prospects of the Industry in face of German Competition" (para. 19) would be further dispelled by the ample testimony provided in our present Memorandum to show that we can successfully compete and are able to take care of ourselves provided we are not left to be crushed at will by the all powerful foreign Combine, without adequate protection.

(6) No blame as to inferiority of quality or any other inherent defects can now be laid against us as may have been the case before.

(Vide previous Report, para. 21.)

(7) "Effect of protection for Magnesium Chloride on the textile industry" (para. 22 of the Report).

In para. 15 of our printed Memorial of 15th August 1927, we have shown that by the abolition of the 15 per cent. duty, the actual saving per Mill per annum would not be more than about Rs. 150 to Rs. 200 on an estimated yearly consumption of about 15 tons, i.e., Rs. 1,200 worth (at the rate of Rs. 4 per cwt.).

Further taking the average annual consumption of Magnesium Chloride at lbs. 63 per loom, the total cost per loom in a year would not be more than Rs. 2-8, or say, 40 pies per 1,000 yds. of cloth production, and we submit that any legitimate protection given to our industry, is not going to make, or mar the prosperity of the Mill Industry, but so far as we are concerned, it may mean our death warrant, unless an effective check is put upon foreign operations in a case like this.

(8) In paras. 26 to 28 of the printed Report our claim to protection has been invalidated on the ground that, eventually, protection cannot be dispensed with, and that the continuance of our industry is hardly essential. May we point to the various answers given by us which we trust will effectively show to the contrary, and we only hope that our arguments will convince the Board about the truth of our statements.

(9) Protection is sought, as a temporary measure, only to allow us to consolidate our position and to develop the resources to the fullest extent by further improved processes. This, however, cannot be done, unless and until, there is a feeling of security behind any new capital brought in, and the fear is dispelled of our being subjected to any bullying or pressure from powerful foreign interests.

(10) Prices and conditions of working all over the world have now sufficiently stabilized to allow of a true estimate being formed as to production and costs, both here and in the competing countries.

A careful study of the situation, proves the necessity for a suitable grant of protection.

Protection will further bring out other local competitors in the field to start similar manufactures in India, which will ultimately benefit the consumer, and add to the material wealth and prosperity of our own country.

(Vide also pages 76 and 77 of the Published Report.)

(11) Since October 1927, the 15 per cent. duty on Magnesium Chloride has been removed, but the same continues to be levied on Epsom Salt and Zinc Chloride which are similarly used in textile Mills. What is more strange is that these are not produced in India to any appreciable extent, whereas Magnesium Chloride is actually manufactured here on a fairly good scale. We fail to appreciate the special reasoning for observing this discrimination against a deserving industry and in favour of other similar products of daily Mill use! We would here invite the attention of the Board to the following remarks of the Indian Textile Tariff Board a year or two ago, viz., "We have not overlooked the fact that the acceptance of our recommendations might in the case of one or two items in the lists such as Magnesium Chloride and Bobbins, prejudicially affect existing Indian Industries but we are of opinion that it is for such industries to establish a case for protection in the usual manner."

(12) Tariff protection is given to indigenous industries by several far more advanced countries like Australia and America, as will be noticed from their following schedules in force on this very article, viz.:-

Australia has a varying duty of from 10 to 30 per cent. *ad valorem* depending on whether the import is from the mother country or from any other part of the British Empire or from a foreign country.

America levies a duty of 7½ per cent. per lb., which based on their prevailing prices works out at about 80 per cent. *ad valorem*.

Then as far as we are aware, a heavy anti-dumping duty of 200 per cent. prevails in Australia on imported German toys, and numerous instances can be multiplied and gathered by studying the tariff walls created in various

countries on different articles of daily use simply to protect the Home Industries against undue swamping.

(13) "Dumping" is defined as selling in other countries below one's cost of production or at a lesser price than what it sells at in one's own country. In fact the Australian Government insists upon a written guarantee at the back of the export invoices to show that the prices charged are higher than those prevailing in the country of export. 'Dumping' however, conveys another meaning also, and that is that the exporting country has such a plethora of that particular material that it pays it to get rid of it outside, regardless of any low prices realized. We submit that in the case of this particular article, viz., Magnesium Chloride, the charge of 'Dumping' is sufficiently established against Germany both as regards "low prices" as also on the ground of "overproduction."

(14) We will not labour the question further, but will content ourselves by commending to the attention of the Board the various arguments touched upon at length in our representation of 23rd January last and at various other places, and we confidently hope that after a full perusal of our case, the Board will be pleased to come to a favourable decision and will grant us some measure of protection in the interests of a deserving indigenous Indian Industry, which has such excellent scope for expansion and development in the future.



Enclosure No. 1.

Statement showing cost of production from 1916 to 1927 inclusive. (Including those figures published at page 63 of original Report 1923).

Serial No.	Heads.	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928 Jan.-June (Approximate.)
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Royalty . . . . .	31,847	33,096	55,741	47,296	33,557	33,773	14,374	8,755	..	7,815	12,832	2,701	2,030
2	Bitterns collection including Motor Rail wagon.	3,775	6,083	19,845	18,914	9,694	3,673	3,279	..	1,168	6,237	9,014	12,044	11,356
3	Factory charges . . . . .	20,277	6,632	16,736	18,561	11,548	10,975	9,309	3,917	3,644	7,123	10,692	15,684	16,072
4	Fuel . . . . .	4,067	14,229	39,830	23,940	17,691	15,103	12,938	..	2,467	11,548	17,101	13,632	18,961
5	Drugs and Packing . . . . .	10,896	20,440	48,588	38,278	28,606	35,913	16,605	7,565	17,316	19,172	30,704	46,845	47,743
6	Railway Charges . . . . .	10,690	10,025	13,591	10,721	7,589	12,500	5,118	1,234	1,853	5,381	13,855	21,888	6,482
7	Transport and handling . . . . .	3,157	5,915	7,286	3,536	6,039	7,481	3,138	852	1,150	1,069	2,912	4,180	
8	Sundries . . . . .	843	2,720	2,596	5,290	2,084	2,294	1,500	2,549	1,196	1,162	1,992	2,295	734
9	Rents and Taxes . . . . .	1,498	278	425	1,561	2,289	2,213	1,463	715	623	223	338	353	168
10	Travelling . . . . .	726	580	1,258	936	611	1,245	1,191	379	431	617	603	904	263
11	Establishment . . . . .	6,681	9,535	17,915	5,910	5,275	12,141	6,377	5,998	4,323	4,350	3,870	4,510	2,203
12	Bad debts . . . . .	280	1,606	2,310	239	59	1,144	..	..	42	..	..	..	..
13	Insurances . . . . .	..	..	..	..	..	..	360	105	..	108	122	117	..
14	Interest Charges . . . . .	3,124	2,307	2,385	2,951	3,437	5,514	8,046	8,191	12,752	15,895	15,947	13,040	6,000
15	Selling charges including discounts, shortage allowances, etc.	20,349	19,579	38,806	31,370	16,468	20,864	9,803	2,228	1,445	7,130	10,941	14,304	4,468
16	Depreciation . . . . .	5,957	14,268	15,000	22,843	24,933	24,000	11,844	11,844	11,844	11,844	11,844	5,879	6,000
17	Income tax . . . . .	1,625	2,645	5,572	23,566	16,114	13,907	..	..	..	..	726	180	..
18	Audit fees . . . . .	..	..	..	..	..	..	..	..	250	300	350	350	100
19	Repairs—Foreign Export Account . . . . .	..	..	..	..	..	..	..	..	..	..	6,353	4,377	3,298
20	Research and Experiments . . . . .	..	..	..	..	..	..	..	..	..	..	4,323	1,193	72
	TOTAL Rs. . . . .	1,13,107	1,53,228	1,90,838	2,64,499	1,88,344	2,07,646	1,10,845	54,171	80,504	99,479	1,54,569	1,64,426	1,25,980
	ANNUAL PRODUCTIONS CWTs. . . . .	19,320	22,900	36,900	36,440	29,540	17,020	27,060	..	4,880	28,220	39,300	54,260	56,080

## Enclosure No. 2.

## Comparative Statement of Foreign Magnesium Chloride imported into Bombay and Kharaghoda Sale Figures.

FOREIGN IMPORTS INTO BOMBAY ACCORDING TO CUSTOMS RETURNS.				KHARAGHODA MAGNESIUM CHLORIDE MANUFACTURED AND SOLD BY THE PIONEER MAGNESIA WORKS.				
For official years ending 31st March.	Tons.	Import value.	Average c.i.f. price per cwt.	REMARKS.	For calendar years ending 31st December.	Tons.	Gross realizations.	REMARKS.
		Rs.	Rs. A. P.				Rs.	
1914-15	2,705	3,00,570	5 8 9	To these figures of foreign imports at Port Okha as well as some small quantities landed at Calcutta and Madras should also be added.	1914	Factory not started.		
1915-16	3,563	9,33,075	13 15 0		1915			
1916-17	1,067	2,81,355	13 8 0		1916		838	1,45,893
1917-18	1,185	2,90,955	12 5 0		1917		1,181	2,09,742
1918-19	Figures not available.				1918		1,920	4,27,816
1919-20	848	2,27,397	13 6 6	1919	1,848	4,01,206	These are gross realizations inclusive of Railway freights from Kharaghoda to Bombay and Ahmedabad plus usual handling and clearing charges upto Mill premises borne by us. In the case of all other up-country centres, prices are for Kharaghoda as a rule.	
1920-21	2,929	8,39,210	14 4 0	1920	1,173	2,55,825		
1921-22	2,330	4,49,680	9 10 0	1921	1,099	2,03,255		
1922-23	2,716	2,93,594	5 6 6	1922	735	1,03,897		
1923 April to December	2,504	1,54,138	8 1 3	1923	286	27,862		
1924 January to December	3,430	2,52,471	8 10 7	1924	778	58,282		
1925 January to December	3,372	2,40,927	8 9 1½	1925	1,157	94,500		
1926 January to December	2,820	2,26,268	4 0 3	1926	1,918	1,63,114		
1927 January to June	1,175	86,575	8 10 6	Jan. to June 1927	1,524	1,11,046		

Enclosure No. 3.

Statement showing Kharaghoda Magnesium Chloride Output and Sales with total cost figures as per separate statement. (Years 1916 to 1917 inclusive).

Years.	Annual		Annual gross total expenditure incurred.	F. o. r. works costs incurred on production per cent (excluding railway freight, handling, selling depreciation and Income-tax charges).	Annual		Total annual Kharaghoda Magnesium Chloride sales (gross).	Realisation per cwt. Average. Gross.	AVERAGE ANNUAL FOREIGN IMPORT FIGURES FROM BOMBAY CUSTOMS RETURNS (OFFICIAL FIGURES). ALMOST ALL FROM GERMANY.			
	Total.	Output.			Total.	Sales.			Official years.	Tons.	C. I. F. Bombay value.	Average c. I. F. Bombay cost per cwt.
	Tons	Cwts.	Rs.	Rs. A. P.	Tons	Cwts.	Rs.	Rs. A. P.			Rs.	Rs. A. P.
1916	966	19,320	1,18,107	3 11 0	899	16,760	1,45,873	8 11 3	1914-15	2,705	8,00,570	5 8 9
1917	1,145	22,900	1,53,228	4 6 8	1,181	23,020	2,09,742	8 14 0	1915-16	3,563	9,83,075	13 15 0
1918	1,845	36,900	2,90,888	5 11 3	1,920	38,400	4,27,816	11 2 3	1916-17	1,067	2,81,355	13 3 0
1919	1,822	36,400	2,64,499	4 9 6	1,648	32,960	4,01,208	12 2 9	1917-18	1,185	2,90,955	12 5 0
1920	1,477	29,540	1,88,344	4 0 0	1,173	23,460	2,55,225	10 14 5	1918-19	Not available.		
1921	851	17,020	2,07,646	7 4 3	1,099	21,980	2,03,255	9 4 0	1919-20	848	2,27,397	13 6 6
1922	1,853	27,060	1,10,845	3 0 0	785	14,700	1,03,897	7 1 1	1920-21	2,929	8,39,210	14 4 0
1923	N/A		54,171		329	6,580	31,349	4 12 3	1921-22	2,330	4,49,680	9 10 0
1924	244	4,880	60,504	9 1 0 misleading (owing to less production).	778	15,560	5,32,321	3 6 9	1922-23	2,716	2,93,594	5 6 6
1925	1,411	28,220	99,479	2 10 0	1,157	23,140	94,500	4 1 4	1923 April-December.	2,504	1,54,133	3 1 3
1926	1,965	39,300	1,54,569	2 14 9	2,141	42,820	1,63,254	3 13 0	1924 January-December.	3,430	2,52,471	3 10 7
1927	2,713	54,260	1,84,426	2 2 10	2,604	53,880	2,00,240	3 11 5	1925 January-December.	3,372	2,40,927	3 9 1 1/2
1928 January to June.	2,804	56,080	1,25,980	2 0 9	1,192	23,980	82,322	3 7 3	1926 January-December.	2,320	2,26,268	4 0 3
	18,596	3,71,920	19,87,686	5 5 6 (Average).	16,892	3,37,840	23,73,061	7 0 0 Average per cwt. Free mill delivery or f. o. r. as the case may be.	1927 January-December.	1,896	1,44,322	3 12 10
								TOTALS	1928 January to June.	509	41,815	4 1 2
												(Average per cwt. c. I. F. Bombay.)

65

(5) Letter dated 9th November, 1928, from the Pioneer Magnesia Works.

MAGNESIUM CHLORIDE INDUSTRY.

In continuation of our previous correspondence ending with our last letter to you of 22nd October, 1928 we have the honour to submit herewith some further important copies as listed below for the perusal and information of the Board which you will be good enough to place before them.

As desired we are forwarding 6 copies of each.

- (a) Copy of our letter to the Collector of Salt Revenue, Bombay, dated 3rd January, 1928.
- (b) Copy of Salt Collector's letter to us, No. 125-1 of 9th February, 1928.
- (c) Copy of proposed agreement between the Okha Salt Works Limited and our Company *re* additional bye-products plant at Okha, dated 19th January, 1928.
- (d) Copy of Okha Salt Works Limited's letter to us, dated 24th October, 1928.
- (e) Copy of comparative Bitterns analysis received from the Okha Salt Works Limited with above letter.
- (f) One old Blue print plan showing Layout of Okha Salt Works Limited's Salt Works.\*

As regards our oral examination, we understand that the dates fixed are the 19th and 20th instant, which are quite suitable to us.

Requesting to be favoured with a line in reply.

Enclosure No. 1.

TRUE COPY.

3rd January 1928.

G. L. MACGREGOR, Esquire, I. C. S.,  
Collector of Salt Revenue,  
Ballard Estate,  
Bombay.

SIR,

We have the honour to invite your attention to the following important matters discussed with you at our interview on the 14th ultimo.

*Re Tariff Board Application.*—We showed you the letter received from the Government of India Commerce Department, dated Delhi 24th November 1927, in which they have regretted their inability to refer our petition for protection to the Tariff Board, as no *prima facie* case in their opinion had been made out by us to justify such a course.

We are however pursuing the matter further and hope that it will meet with more favourable attention.

*Re German Rivalry.*—We have also acquainted you with the true position as regards this matter, and shown you certain important correspondence throwing additional light on the nature and strength of the opposition likely to be pitched against us, in the event of our not submitting to the dictation of the German Magnesium Chloride Syndicate whose representatives seem

\* Not printed.

to be the Havero Trading Company, Limited of Ballard Estate, Bombay, who to say the least are a most powerful organisation dealing extensively in dyes and chemicals. Their proposal boils down to this that regardless of actual prevailing conditions, they should have 70 per cent. of the aggregate Indian trade demand, leaving us to cater for the balance of 30 per cent. only. The Facts however are that during the past year our relative Sales have been well-nigh reversed, so that even at the risk of laying ourselves open to serious under-cutting with which they have without mincing matters threatened us we have thought it best to reject their one-sided proposals.

*Okha Competition.*—In view of the recent starting of the big Salt Works at Okha in Kathiawar, as you are aware, we are faced with another very serious problem which is likely to cut at the very root of our Company's existence. We showed you a blue print plan of the Okha Salt Works Ltd.'s layout, and discussed at some length the very great advantages enjoyed by them as compared with Kharaghoda which it would not be out of place to recapitulate here again for your information.

- (a) The Okha Salt Works are so constructed as to have the maximum output of Salt within a minimum area and with the idea of making the most of their available Bitterns for various by-products, they have further designed to locate a by-products plant right at the mouth of their big asphalted Salt pans with the result that good standard Bitterns of the required strength and density and free of any impurities or defects that are more or less inherent in the Kharaghoda Bitterns, could be collected and had in adequate quantities for purposes of Magnesium Chloride and other Manufacture.

When compared to the lead of several miles not to mention the various other difficulties in the collection and storage of Bitterns which are our daily lot at Kharaghoda, the immense advantages of Okha and the saving in cost to be effected in this one item alone, has only to be mentioned to adequately realized.

- (b) Then again, owing to very scanty rainfall of only 3 to 4 inches per annum, the Salt production at Okha would go on all the year round which would also mean a continuous working of their By-products Factory, and would eliminate all the contingent disadvantages and expenses shouldered by us under the existing conditions at Kharaghoda.

- (c) Okha being a nice growing sea-port of importance, with direct communication not only with Bombay and Calcutta but also with Great Britain, America and other foreign ports, naturally enjoys much greater facilities for cheap transport with some of the most important consuming centres. Which are denied to Kharaghoda.

Looking to all these factors and after studying the problem very carefully and on the spots, we cannot but come to the conclusion that we would be throwing away a valuable opportunity by not availing ourselves of the offer extended to us by the Okha Salt Works Ltd., to put up an additional plant in conjunction with them not for Magnesium Chloride alone, but also at a later stage for Epsom Salt and certain other By-products, for sale both in and out of India.

The Okha plant would be serviceable for Bombay, Calcutta, Madras and outside foreign exports. It may interest you to note, that we have already succeeded in sending a few trial shipments to Australian ports and to Liverpool and Glasgow, which have set with considerable success and general approval, so that good business is promised to us provided the rates be favourable. We have no intention of discontinuing the present Kharaghoda plant, which will go on serving the inland markets like Ahmedabad, Gujrat, Central India and the Punjab and so forth, reserving the Okha production for supply to ports Indian and foreign. You will thus realize Sir, that if

we do not take advantage of this excellent opportunity now offered, somebody else will, and that would be creating a formidable internal competition against us to our ultimate disadvantage and ruin. After all it is mainly a question of self-preservation, and unless we move with the times and produce more economically and efficiently, our days would be numbered in no time.

You were good enough to sympathise with our aspirations and did not think that Government would take objection to this action on our part. In order however, to avoid any possible complication later on, or any misunderstandings, and particularly in view of our existing Royalty obligations, we have thought it best to approach you formally in the matter and we should be much obliged by your kindly bringing the same to the notice of the Government as you may deem proper.

We have already showed you the proposed draft arrangements to be entered into by us with the Okha Salt Works Ltd., and feel sure that Government would see no objection to our contemplated course, in a matter of such vital importance, which is calculated to put us in a stronger position and to enable us to stand against the strenuous competition threatening to swamp up both internally and externally.

In conclusion, we beg to express our sincere gratitude to you Sir, for your personal sympathies in the matter, and we have no doubt that our communication will also meet with the same favourable attention of the Government of India.

We have the honour to be,

SIR,

Your most obedient servants,

FOR PIONEER MAGNESIA WORKS,

(Sd.) B. S. LALKAKA,

Managing Partner.

Enclosure No. 2.

TRUE COPY.

No. 125-1.

FROM

G. L. MACGREGOR, Esquire, I.C.S.,

Collector of Salt Revenue,

Bombay.

To

The PIONEER MAGNESIA WORKS,

Bombay.

9th February 1928.

GENTLEMEN,

With reference to your letter dated 3rd January 1928, I have the honour to state that the Central Board of Revenue has no objection to your opening a factory at Okha for the manufacture of Magnesium Chloride.

Your most obedient servant,

(Sd.) G. L. MACGREGOR.

Enclosure No. 3.

TRUE COPY.

Bombay 19th January 1928.

*Terms proposed for an agreement between the Okha Salt Works and the Pioneer Magnesia Work, Kharaghoda.*

1. The Okha Salt Works agree not to manufacture Magnesium Sulphate and Magnesium Chloride out of the Bitterns available after production of salt at their Salt Works at Okhamandi, but agree to turn over the Bitterns ez tank at Salt Works to the Pioneer Magnesia Work for the manufacture of the above chemicals.

2. The Pioneer Magnesia Work, agree to pay the Okha Salt Works a Royalty to Rs. 5 per ton on finished product of both Magnesium Chloride and Magnesium Sulphate and that the Pioneer Magnesia Works guarantee a minimum Royalty for 1,000 tons of Magnesium Chloride.

(a) No minimum quantity to be guaranteed for Magnesium Sulphate.

(b) For purpose of payment of Royalty in any one year the quantity actually despatched from Okha to be taken as basis.

3. Payment of Royalty to start latest 6 months after the date of engrossment of this agreement or earlier, i.e., on the date of taking up the manufacture by the Pioneer Magnesia Works should this be the case before expiry of 6 months.

4. Agreement between Okha Salt Works and Pioneer Magnesia Work to be in force during the same period which the Okha Salt Works holds connection from the Baroda Government.

5. The Pioneer Magnesia Works agree not to assign, sell or in any way transfer their rights and concessions acquired under this agreement to others without first giving the option upon the terms as may be offered to them with a time limit of at least 6 months, to the Okha Salt Works.

6. Should the Pioneer Magnesia Works wish to take up the manufacture of chemicals other than Magnesium Chloride and Magnesium Sulphate they should approach the Okha Salt Works for permission to do so when the terms and Royalty to be paid to Okha Salt Works are to be fixed mutually by both parties and are to be the subject of a new agreement, the Okha Salt Works being at liberty to manufacture such chemicals departmentally should they desire to do so.

7. The Pioneer Magnesia Works agree not to enter into any agreement with any foreign manufacturers or importers for the curtailment of production at Okha without the consent of the Okha Salt Works.

8. It is agreed that the Okha Salt Works shall be entitled to participate in the excess profits of the Pioneer Magnesia Works Factory at Okhamandal in the proportion of 25 per cent. of such excess profits. For the purpose of calculation of excess profits the following basis shall be adopted:—

(a) Cost of Magnesium Chloride and Magnesium Sulphate to be arrived at by adding:—

(i) cost of manufacture at Okhamandal,

(ii) Royalty payable to Okha Salt Works,

(iii) incidental charges such as Haulage to Docks, Loading and port charges up to f.o.b. Okha Port or f.o.r. Railway Station.

The Pioneer Magnesia Works agree to fix these figures every year jointly with the Okha Salt Works which latter shall be given every facility of checking the respective items.

(iv) actual freight and insurance charges to Bombay and charges up to Mills godown in case of sales to Bombay or actual freight

and incidental charges upto f.o.r. Bombay in case of sales to Inland Mills.

(v) overhead charges (such as Interest, depreciation, Income-tax, selling Commission, etc.) and it is hereby agreed that for the purpose of ascertaining this item, a figure of 50 per cent. of 8 (a) i, ii and iii to be taken as the basis.

(b) As sale price the average price realized during the year according to the sales records of the Pioneer Magnesia Works to be taken as the basis.

Before deducting total items of cost as per 8 (a) (i) to (v) from average sale price an item of 10 per cwt. to be added to the total cost, such 10 annas per cwt. being considered as the normal profit in which the Okha Salt Works do not participate.

(d) The excess profit arrived at by deducting the total of items 8 (a) (i) to (v) plus item 8 (c) from sale price item 8 (b) shall form the basis for division in accordance with clause 8.

(c) Example for division of excess profits:—

		Per cwt.
		Rs. A. P.
8 (a) (i)	}	Total cost to f.o.b. Okha . . . . .
(ii)		
(iii)		
(iv)		
		1 8 0
		0 8 0
		2 0 0
		0 12 0
		2 12 0
8 (c) Normal profit		0 10 0
		3 6 0
Average sale price		3 12 0
		0 6 0

Whereof the Okha Salt Works are to get 1 anna 6 pies in addition to the fixed Royalty payable.

9. Should at the end of every 10 years of this agreement either party find that the terms of Royalty of participation in profits are unfair or unprofitable it is at the option of either party to ask for a revision of the respective terms for a period of the next 10 years.

10. Terms for land and factory as per original conditions between Baroda Government and Okha Salt Works to apply also to the Pioneer Magnesia Works.

11. The Okha Salt Works agree to place all facilities which they may enjoy at Okhamandal at the disposal of the Pioneer Magnesia Works.

12. Arbitration Clause as per Indian Arbitration Act.

KAPILRAM, Ltd., Agents,  
(Sd.) KAPILRAM H. YAKIL,  
Director.

19th January 1928.

FOR PIONEER MAGNESIA WORKS,  
(Sd.) B. S. LALKAKA,  
Managing Partner.

19th January 1928.



Enclosure No. 4.

TRUE COPY.

## THE OKHA SALT WORKS LIMITED.

NAVSARI BUILDING,  
HORNBY ROAD, FORT,  
Bombay, 24th October 1928-

MESSRS. PIONEER MAGNESIA WORKS,  
18, Rampart Row, Fort,  
Bombay.

DEAR SIRs,

*Works at Okha.*

With reference to the establishment of Magnesium Chloride Works at Mithapur, Okhamandal, I enclose herewith a comparative statement of analysis of the bitterns. After examining these bitterns and having been fully satisfied as to the high contents of Magnesium Chloride contained in them, I have now much pleasure in recommending you to proceed with the actual design, lay out, and construction of the plant. In this connection, I have already informed you of the work now being done at Mithapur for you. But before I finally recommend you to place the orders for the plant required, it would be necessary to clear up a point in the approved draft of agreement between you and the company; the question of utilisation of Epsom Salt has not been finally decided; I find that before the standard bitterns are prepared for delivery to you, other valuable bye-products have to be removed by the Company. Over such bye-products under our agreement you have the first option: until you exercise the option, the company will be obliged to treat them as waste products, and consequently suffer loss on their account. If you can make some proposals regarding the terms for their use by you, the company would be glad to consider them; otherwise the company would be placed in a position in which in trying to meet your requirements of standard 30° B, it will lose a great deal until you exercise your option. This would not be equitable and I would recommend you to find a way out of this impasse.

Yours faithfully,  
KAPILRAM, Ltd., Agents,  
(Sd.) KAPILRAM H. VAKIL,  
Director.

Enclosure No. 5.

TRUE COPY.

*True Copy of Comparative Analysis of Bitterns—Accompaniment to Okha Salt Works Ltd.'s letter to Pioneer Magnesia Works, dated 24th October 1928.*

	29° B.	29° B.
	Okha.	Kharaghoda.
	Per cent.	Per cent.
NaCl . . . . .	10.46	8.72
KCl . . . . .	With Nacl.	1.21
Mg Cl <sub>2</sub> . . . . .	13.30	19.61
Mg So <sub>4</sub> . . . . .	4.03	2.39

	35.5° B.	36° B.	35 to 36° B.
	Okha.	Kharaghoda.	France.
	Per cent.	Per cent.	Per cent.
NaCl . . . . .	8.93	0.62	3.90
KCl . . . . .	With Nacl.	0.13	4.08
MgCl <sub>2</sub> . . . . .	22.20	29.66	23.70
MgSo <sub>4</sub> . . . . .	3.66	4.29	5.75

(6) Letter dated the 19th November, 1928, from the Pioneer Magnesia Works.

**Re: MAGNESIUM CHLORIDE PROTECTION.**

In the course of the writer's oral evidence to-day the President desired to have some reliable Book Authority as regards the actual process of manufacturing this product in Germany.

We beg therefore to submit herewith for perusal a typed extract from Thorpe's Dictionary of Applied Chemistry, Vol. IV, 1922 Edition, regarding Magnesium Chloride manufacture, pages 187-88, which will throw some light in the matter.

We further enclose copy of an express telegram now despatched to Mr. Kapilram H. Vakil before he leaves Okha in a day or two to give evidence before the Board on 23rd instant in connection with the pending Enquiry to bring with him any Authorities he has for the satisfaction of the Board.

Enclosure.

FOR THE TARIFF BOARD.

*Extract from Thorpe's Dictionary of Applied Chemistry, Vol. IV, 1922 Edition, regarding Magnesium Chloride manufacture. Pages 187-88.*

Magnesium Chloride MgCl<sub>2</sub> is one of the salts present in sea-water and in the water of many springs. It also occurs combined with potassium chloride in large quantities as the mineral carnallite MgCl<sub>2</sub>, KCl, 6H<sub>2</sub>O in the Stassfurt deposits. It is formed when magnesium burns in chlorine, or when a stream of chlorine is passed over a heated mixture of magnesia and carbon. It is also produced by dissolving the metal, oxide, or carbonate, in hydrochloric acid. On concentration of the solution monoclinic crystals of the composition MgCl<sub>2</sub>, 6H<sub>2</sub>O separate out, crystals of this composition have also been discovered, associated with carnallite and rock salt, at Stassfurt, and named bischofite. On attempting to obtain the anhydrous Chloride by ignition of these crystals, hydrochloric acid is evolved in addition to water and a portion of the chloride becomes converted to oxide. If, however, the crystals be heated in a current of hydrogen chloride, the anhydrous chloride is obtained without the formation of any basic salt (Hempel, Ber. 21,897). Another method of obtaining the anhydrous chloride is to add ammonium chloride to the solution, evaporate to dryness, and ignite in a platinum dish. The Magnesium ammonium chloride thus formed loses its water without any decomposition of the magnesium chloride, and the ammonium chloride can then be sublimed out, leaving the anhydrous magnesium chloride as a cleared fused mass, which on cooling solidifies to a crys-

talline solid. Magnesium Chloride is a solvent for the crystallisation of metallic oxides. Octahedral crystals of "magnesia-red" can be obtained by heating  $MgCl_2$  with cobalt sulphate. By a similar process, nickel sulphate gives rise to octahedral crystals of "Magnesia Green". The crystals are a mixture of the two oxides. 100 parts of water at  $0^\circ$  dissolve 52.2 parts of the anhydrous chloride, with considerable evolution of heat forming a solution of sp. gr. 1.3619 at  $15^\circ$  (Engel, Bull. Soc. chim. (ii) 47, 318). At the ordinary temperature 100 parts of water dissolve about 130 parts, and at  $100^\circ$  about 366 parts. This solution on cooling again deposits the crystals. Magnesium Chloride solution possesses a bitter taste. The solid, either, anhydrous or crystals, is very deliquescent. It combines directly, with evolution of heat, with methyl and ethyl alcohol the solution yielding, on cooling with ice, crystals of  $MgCl_2 \cdot 6C_2H_5OH$ , respectively.

Commercial preparation.—The last mother liquor obtained in the process of preparing potassium chloride from the carnallite at Stassfurt supplies as by-product large quantities of magnesium chloride. The liquor has a sp. gr. of 1.32, and contains no less than 35 per cent. of the chloride. It is first evaporated to sp. gr. 1.34, when potassium and sodium chlorides and magnesium chloride by introducing burnt magnesite or dolomite into a solution in casks, where on cooling it solidifies to a white translucent mass containing 50 per cent. of Magnesium Chloride.

In this state it is largely exported to this country, being used by cotton-spinners as a thread lubricator (Hake, J. Soc. Chem. Ind. 2, 149).

Lanquetin, in 1881, patented (D. R. P. 20396) a process for preparing magnesium chloride by introducing burnt magnesite or dolomite into a solution of waste calcium chloride, and driving carbon dioxide through the mixture, when calcium carbonate separates out and magnesium chloride remains in solution.

Cochrane and Bramley, of Middlesbrough (Eng. Pat. 15498, Nov. 1886) charge hydrated magnesium carbonate into a series of closed vessels through which a solution of calcium chloride is circulated, carbon dioxide being at the same time injected. Magnesium Chloride is in this case gradually formed in solution and calcium carbonate precipitated.

Magnesium Chloride may also be extracted from the mother liquor of the potassium chloride manufacture (Muspratt and Eschellmann Widnes, Eng. Pat. 1900, Feb. 1885).

Magnesium Chloride unites with the alkaline chlorides to form crystalline double salts.

Magnesium Chloride solution is preferable to brine as a refrigerating medium. As it is more viscous than brine it is less liable to spray or splash, and its freezing point is lower than brine of the same concentration.

#### *Express.*

#### SALTWORKS, MITHAPUR (OKHAMANDAL)—

Please bring with you any authoritative books describing German Magnesia Chloride Manufacturing Process, Tariff Board particularly anxious consulting same.

LALKAKA.

(7) Letter dated the 24th November, 1928, from the Pioneer Magnesia Works.

#### Re: MAGNESIUM CHLORIDE CASE FOR PROTECTION.

Reference: Haverø Trading Company Limited's Statement of 21st November 1928.

With reference to above, we beg to point out certain glaring inaccuracies in Mr. Fuchsmann's statement as appearing in the local newspapers.

Our object is not merely to criticize or to raise an unnecessary controversy, but after all the disclosures already made as regards the operations and methods of a powerful organisation to crush an Indian Industry, we feel that the statement in question, full as it is of vague innuendoes and wrong information, if left uncorrected, is likely to leave a very bad impression on the public.

In justice and fairness to our Company, therefore, we beg permission to forward our accompanying Rejoinder which will explain the true position and we earnestly request that a copy may please be forwarded to the party also if so desired, and the same publicity given to it as to the previous Evidence.

It is a matter of some public importance and policy and we feel confident that the Board will see no harm in acceding to our request and will be able to judge the whole thing in its proper perspective.

Enclosure.

Bombay, the 24th November 1928.

**PIONEER MAGNESIA WORKS' REPLY TO HAVERO TRADING COMPANY LIMITED'S STATEMENT OF 21st NOVEMBER 1928 TO THE TARIFF BOARD REGARDING MAGNESIUM CHLORIDE INDUSTRY CASE FOR PROTECTION.**

Paragraphs (1) and (4) It is nowhere alleged by us that the I. G. Farben-industrie Aktiengesellschaft are the manufacturers of Magnesium Chloride or that they are connected with the Chemi Kalien Aktiengesellschaft Berlin—who, as stated by Mr. Fuchsmann, are the distributors of the German Magnesium Chloride Syndicate.

Mr. Lalkaka has been wrongly reported and is surely not responsible for any wrong impression created in the *Press*. Moreover, the main charge that a powerful foreign combine composed of all the Magnesium Chloride manufacturers in Germany has been making deliberate attempts by all the means in its power to crush and get better of a young and weaker indigenous Indian Industry since a long time, remains unanswered. It is immaterial whether Haveros "intend to drop this line of business entirely" or not as put by Mr. Fuchsmann but the general public are not at all interested in it.

(2) and (3) The statement further says that "the total consumption of Magnesium Chloride in India amounts approximately to 4,000 tons per year, out of which 3,000 tons are imported and 1,000 tons Indian production". This is entirely wrong as could be easily verified from detailed figures and statements already produced before the Board which clearly show that our share of the business has amounted to more than about 50 per cent. of the total annual consumption in India since some time.

We will leave it at that without trying to establish or dispute any actual share of the Havero Trading Co., Ltd., in this line.

(5) To say that "Magnesium Chloride occurs in its natural state only in Germany, in pits near Stassfurt", is wide away from the mark and not warranted by facts as known to us.

The expert evidence and Technical Reports already tendered in this connection abundantly show otherwise and go to prove that Germany enjoys no particular advantage over India in this respect and that our country also has immense rich sources of supply to provide all our needs several times over and for many a long year to come.

(7) Mr. Fuchsmann's statement that "the Indian Magnesium Chloride is darker in appearance and consumers prefer the German Magnesium Chloride which is whiter and considered of purer quality" hardly deserves refutation in view of the fact that according to various comparative expert analysis and reports already furnished, the Indian Magnesium Chloride in composition, strength and purity is absolutely the equal of the German product. Even as regards colour, Mr. Fuchsmann seems to claim unnecessary credit and has

hardly any right to pose as the saviour of the Indian consumer on the ground of providing them with a superior article.

For after all "the proof of the pudding is in the eating" and we respect-fully suggest it to the Board to kindly satisfy themselves on this point by independently addressing any one out of our following numerous clientela both Indian and European whose sole annual contracts we have the good fortune to hold year after year, e.g.—

Messrs. Nowrosjee Wadia & Sons,  
 ,, Currimbhoy Ebrahim & Sons, Ltd. (14 Mills),  
 ,, E. D. Sassoon & Co., Ltd. (10 Mills),  
 ,, David Sassoon & Co., Ltd.,  
 ,, James Finlay & Co., Ltd.,  
 ,, The Petit group of Mills,  
 ,, The Tata Sons, Ltd., including Empress Mills, Nagpur,  
 ,, Sholapur Mills—Delhi Cloth and General Mills,  
     Calico Mills, Ahmedabad,  
 ,, Luxmi and Vishnu Cotton Mills of Sholapur,  
 ,, Muir Mills and Victoria Mills, Cawnpore,  
 and Mills all over India to mention only a few select names.

Then out of hundreds of drums recently sent out by ourselves to foreign parts, owing to much higher rates prevalent there than in India itself, not a single complaint has ever arisen and this is the strongest proof we have to belie any claim of alleged superiority as now made to befog this issue.

(10) Mr. Fuchsmann here alleges that "Mr. Lalkaka had already on two previous occasions tried to come to an understanding with the German Syndicate through the medium of Indian importers—". This is deliberately misleading and is a travesty of facts as what Mr. Lalkaka had actually informed Mr. Fuchsmann was that his was not the first and the only proposal of its kind but that the syndicate had made persistent efforts two or three times before to get round and overcome our opposition through other Indian sources, and Mr. Fuchsmann has now twisted this to suit his purpose.

(11) (c) Mr. Fuchsmann is here led to make an entirely unwarranted statement without knowledge of true facts. Far from our trying to join in a nefarious conspiracy against the new works at Okha as he is pleased to state, our company has, as the Board fully knows, been vitally interested from the beginning, in the installation of a subsidiary plant at Okha also, and when the question of another likely internal competition was raised it was Mr. Fuchsmann himself who suggested that in the event of their refusal to join the pool, Pioneer Magnesia Works and Haveros should make common cause and "offer a united front" to push them out.

(12) To say that several letters purporting to be a 'resumé' of the negotiations were handed back to Mr. Lalkaka by Messrs. Fuchsmann and Popper as they did not represent true facts and that Mr. Lalkaka apologised for the same is not at all true, as besides us three, Mr. John C. Manning, an American gentleman (far eastern representative of Messrs. Chas. A. Schieren Company of New York Belting Manufacturers, whose personal help in pushing our Magnesium Chloride sales has been of great value to us, was also present at this very interview and will personally testify if so required.

Begging to be excused for troubling the Board with this explanation.

(8) Letter, dated 28th November, 1928, from the Pioneer Magnesia Works.

#### Re MAGNESIUM CHLORIDE CASE FOR PROTECTION.

Page 3, para. 9 of our printed answers to questionnaire.

We beg to state that in para. 40 of our above representation the total annual consumption in India has been set down at about 4,700 to 5,000 tons.

We have subsequently, however, come to learn on good authority that an equal quantity enters the country not marked as Magnesium Chloride in the customs returns but as Flooring Composition for the use of State and other Railways here. Our information further is that there are annually a few thousand Railway wagons built here and that on an average in a 3rd class composite carriage floor there is somewhere about 6 to 7 cwts. or approximately one-third of a ton of Magnesium Chloride mixed along with the flooring powder, which are both imported together and charged for as Flooring Composition and not separately.

This is matter of great interest from the point of view of our industry and requires to be further investigated, for if correct it would point to a new field for us and our ever-expanding Home Market.

In support of our statement that Magnesium Chloride is in so much demand for use in certain types of Tile Factories we beg to submit herewith a true copy of our contract for 500 tons supply, dated 9th March 1928, with the Elephant Glazed Tiles Factory, 144, Dharavi Road, P. O. No. 17, Bombay. They are using Chloride in fairly large quantities to mix with Magnesite powder for making flooring tiles from, and it was through them and their Representatives, Messrs. Mawson, Vernon & Co., Ltd., of Vulcan House, Nicol Road, Ballard Estate, Post Box 862, Bombay, that we had occasion in July-August last to send out several wagon loads to the N. W. Railway at Moghulpura. The Proprietor, Mr. Fatah, assures us that provided we continue to give satisfaction both as regards quality and price, he hopes to be one of our largest and best individual customers to the extent of over a thousand to fifteen hundred tons per annum, and upon the Board desiring to see some literature on the subject we have also furnished you with an important book known as Dow's Chemical Bulletin dealing with this very matter.

Moreover, we have sent you a jar showing the average quality as supplied by us for this purpose and at our request Mr. Fatah has also very kindly expressed willingness to be examined by the Board in this connection whenever required as well as to arrange for the inspection of his Flooring Tiles Factory for any further investigation as may be convenient to the Board.

Trusting this information will prove of interest to the Board.

Enclosure.

COPY.

Registered.

9th/11th March 1928.

THE ELEPHANT GLAZED TILES FACTORY,

P. O. Box No. 945, Office No. 269,

Hornby Road, Fort, Bombay.

(Sent to Dharavi Factory near Sion Station, G. I. P. Ry.)

Re MAGNESIUM CHLORIDE CONTRACT—500 TONS.

Attention of Mr. A. Fatah.

DEAR SIRS,

With reference to previous correspondence ending with our letter to you of 1st instant we have pleasure in confirming your following contract placed with us by Mr. Fatah to-day, viz.:-

- (1) Magnesium Chloride in crystals as per previous wagons already supplied and duly approved by you.
- (2) Quantity 500 (five hundred) tons to be supplied at the rate of about 3 wagons or, say, 50 tons per month, between March and December 1928.
- (3) Packing—in big wooden tallow casks as far as possible or in any other suitable containers as may be found more economical and desirable.

- (4) Price—Rs. 3-6-0 (three rupees and annas six) per cwt. nett delivered in wagon loads f.o.r. Mahim.
- (5) It is understood, however, that any unforeseen increase in costs due to Railway or Government or such like causes over which we have no control will be proportionately added accorded to circumstances then prevailing, and that we shall not be responsible for any delays or non-delivery on account of any unusual causes such as strikes, fire, flood, shortage of raw material or wagon supply or any such act of God.
- (6) Payment—As agreed by you, payment will be strictly made to us of all the previous month's bills in full by about the 5th of the next month without fail.
- (7) In view of your placing this large quantity with us we agree not to supply the same kind of material to any rival Tiles Factory in Bombay so as to create unnecessary competition against you.
- (8) As the crystal stuff is wholly and solely made for your company and would if not taken be useless for other purposes and cause congestion and put us to serious loss, in case of any difficulty we should be timely informed, and moreover we shall be liable to be compensated by you for any unnecessary accumulation of the material at our works due to your inability to take the promised supplies.

Our working season being up to June only, all your requirements up to December end will have to be manufactured by us before monsoon time as we have already informed you.

Please confirm this arrangement and oblige.

(9) Letter dated the 29th November, 1928, from the Pioneer Magnesia Works.

Re MAGNESIUM CHLORIDE CASE FOR PROTECTION.

Ref. our printed answers to your questionnaire.

In the course of our oral examination the Board wished to have some further information from us, which we beg to furnish as below:—

Page 11, para. 46.—Re: Dock and clearing charges.—The actual details as verified with our clearing Agents show the following:—

	In Bombay on Foreign Imports per ton.	At Port Okha on Foreign Imports per ton.
	Rs. A. P.	Rs. A. P.
Wharfage	3 0 0	0 14 0
Siding charges	0 5 6	0 0 0
Loading charges	1 10 6	0 8 0
Clearing and extras		
	5 0 0	1 6 0
Handling charges up to destination	2 8 0	i.e., 0 1 1 per cwt.
Total	7 8 0 or say	
	0 8 0 per cwt.	

(2) *Re Kharaghoda sale figures and average realizations.*—Referring to the detailed statements furnished already as per separate file accompanying our representation, we beg to summarise the position as under:—

TABLE A FOR THE YEAR 1927.

Zone of sale.	Quantity sold.	Gross Total realization	Gross sales realization per cwt. Free mill deliveries in Bombay and Ahmedabad and Mills w.s.
			Rs. A. P.
	Tons about Cwts.	Rs.	Rs. A. P.
Bombay . . . . .	868 = 17,355	71,859	4 2 2
Ahmedabad . . . . .	1,012 = 20,252	70,367	3 7 7
Up-country . . . . .	696 = 13,931	49,154	3 8 5
Total	2,576 = 51,538	1,91,380	...

*i.e.*, Tons 2,576 at Rs. 74-4-3 per ton or Rs. 3-11-5 per cwt. average.

TABLE II FOR HALF-YEAR, ENDING JUNE 1928.

Zone of sale.	Quantity sold	Gross Total realization.	Gross sales realization per cwt. Free mill delivery and Mills wts.
			Rs. A. P.
	Tons about or Cwts.	Rs.	Rs. A. P.
Bombay . . . . .	273 = 5,437	20,109	3 11 2
Ahmedabad . . . . .	333 = 6,660	21,284	3 3 0
Up-country . . . . .	700 = 13,931	49,154	3 7 6
Total	1,305 26,028	90,547	...

*i.e.*, at Rs. 69-6-2 per ton or, say, Rs. 3-8-0 per cwt average

In the case of the up-country sales we have to explain that the gross realization will generally mean the price f.o.r. Kharaghoda subject to the reservation that in several instances it also covers freights and certain charges delivered up to f.o.r. destinations, also according to any previous understanding and to that extent the price shown cannot be very exact and may be somewhat misleading.

Then in our previous detailed statements certain additional Ahmedabad sales amounting to about 3,652 cwts. (180 tons) during period ending June 1928, have been omitted through oversight and should be added to the list given before, as you will kindly note. Moreover it must not be forgotten that our Bombay sales during the current year bear the effect of the wholesale general Mill Strikes during a considerable portion of the period under review.

Trusting this information will prove useful



(10) *Letter dated the 13th December, 1928, from the Pioneer Magnesia Works.*

**Re: PRICE OF GERMAN MAGNESIUM CHLORIDE IN GERMANY FOR DOMESTIC CONSUMPTION.**

In the course of our verbal evidence last month the Board seemed anxious to know this information. The Chemical Price List Journal tendered by Mr. Kapilram showed, we believe, a considerably higher price than that prevailing in our market, viz., on the basis of £3/19 per 1,000 Kilos c.i.f. Indian Ports. In spite of our serious attempts to obtain the German prices as required by the Board we have so far not succeeded but it occurs to us that if a reference be made by you to Major Clarke who is His Majesty's Trade Commissioner in India (office at Ballard Estate, Bombay); there is no doubt that he can obtain reliable information for you if necessary by telegram through the Department of Overseas Trading in London.

Trusting this may be of use to you.

(11) *Letter dated the 24th December, 1928, from the Pioneer Magnesia Works.*

**Re: FUEL COSTS.**

With reference to the item shown under this head in our answers to the Board's questionnaire we beg to inform you that we have just entered into a burning contract with a local party on the basis of Re. 0-5-6 per cwt. of magnesium chloride production at our factory for the whole of the current season.

It will thus be seen that this figure exactly corresponds to the cost estimate given on page 21 of our memorial.

Enclosure No. I.

**Re: DRUMS AND PACKING COSTS.**

We beg to forward herewith for the Board's information a true copy of our Home friends, Messrs. Desai Brothers Ltd.'s Invoice No. 3922, dated London, 26th November 1928, in respect of our drum sheets arriving per S.S. "Masula" to Port Okha.

The material ordered is for making about ten thousand drums for the current season and the actual costs work out as under:—

*Total costs of sheets c.i.f. Okha.*

Bundles.	Galvanized plain sheets close annealed.	Size and Quantity.	Amount.
624	10,000 for circumference	6'-1" x 39" x 13½ lbs. Tons 60-12-3-3, at £19-0-0 per ton.	£ s. d. 1,152 2 10
278	5,000 for tops and bottoms	8' x 2' x 11½ lbs. Tons 24-15-3-18 at £17-10-0 per ton.	493 18 6
		Total	1,566 1 4
		Extra charges for felting edges and seals at 3d. per bundle (for preserving against damage from sea water).	11 5 6
		Total	1,597 6 10
		Agent's commission at 2½ per cent.	39 18 6
		Total	1,637 5 6

Bundles.	Galvanized plain sheets close annealed.	Size and Quantity.	Amount.
	At Sh. $\frac{1}{2}$ exchange		Rs. A. P. 21,330 5 0
	Specific Customs duty at Rs. 45 per ton on tons 85-8-2-21		3,844 10 0
	Landing, clearing and dock charges, etc., at Okha at Rs. 2 per ton.		170 7 0
	Railway freight from Okha to Kharaghoda at 8 annas 4 pies per B. maund, 11 annas 5 pies per cwt. plus 7 pies per cwt. clearing and handling, i.e., annas 12 a cwt. on Tons 85-8-2-21.		1,281 7 0
		Total	27,126 13 0
	Dead nett cost at the factory, i.e., Rs. 317-4-0 per ton or Rs. 15-13-6 per cwt. of sheets.		...

*N.B.*—It will be noted that the specific duty of Rs. 45 per ton is equivalent to about 17 $\frac{1}{2}$  per cent. *ad valorem* duty.

The actual cost per drum and per cwt. of Magnesium Chloride would work as under:—

*Detailed cost per drum.*

Cost of sheets used per drum (1 $\frac{1}{2}$ sheets).	Rs. A. P.
13 $\frac{1}{2}$ lbs. for circumference and 5 $\frac{1}{2}$ lbs. for tops and bottoms, Total 19 $\frac{1}{2}$ lbs. of sheets at Rs. 15-13-6 a cwt.	2 11 6
Making charges including soldering, painting, sealing of drums, etc., per each drum containing about 7 cwts. of finished material.	1 13 6
Rs. 0-10-6 per cwt. of magnesium chloride production	
Total	4 9 0

London, 26th November 1928.

Invoice No. 3923.

Invoice of 902 packages of merchandise purchased by Desai Bros., Ltd., and shipped per S.S. "Masula." From Middlesborough to Port Okha on account and risk of Messrs. The Pioneer Magnesia Works in execution of Indent No. C. 20/4/28, Advd. 3/5/28.

Insured £1,800 with the Provincial Insurance Co., Ltd

Bill No. 4549 in favour of the National Bank of India, Ltd.

Marks on packages.	Description of goods.	Price.	
		£ s. d.	£ s. d.
B. P. M. W. Port Okha 1-902	To 902 Bundles of (Felted sides and ends) Galvanized plain steel sheets, as under:—		
	Bundles. Sheets. Size. Gauge.		
	624 10,000 6' 1" x 39" x 19½ lbs.	1,152 2 10	...
	—T. 60-12-3-3 at £ 19-0-0 per ton.		
	278 5,000 8' 0" x 2' x 11½ lbs.	432 18 6	...
	—T. 24-15-3-18 at £ 17-10 per ton. c.i.f. Port Oka.		
	To extra charge for felting edges and sides at 8d. per bundle. 902 bundles at 3d.	11 5 6	...
	Weights, etc., as per detailed specification herewith.	...	1,597 6 10
	Commission at 2½ per cent.	...	39 18 8
	Total	...	1,637 5 6

E. & O. E. London, 26th November 1928.

Enclosure No. 2.

Re: MAGNESIUM CHLORIDE CASE FOR PROTECTION.

We beg to invite the attention of the Board to the accompanying letter, dated 21st instant, from our selling Agents, Messrs. Gannon Dunkerley & Co., Ltd., of Bombay, in regard to the German competition offered by the Havero Trading Co. of Bombay. It clearly shows how they are bent upon wresting all important business from us regardless of costs, and contrary to all assertion of giving up the Magnesium Chloride business in India.

We have held the Sassoon Group of Mills Contract (of about 10 mills) from year to year, but in view of the rate cutting war, on which it seems they are bent upon entering to crush our opposition, it is well nigh impossible for us to meet their competition except at a heavy loss, as the Board will realise from the figures already submitted.

Bombay, 21st December 1928.

B. S. LALKARA, Esq.,  
Kharaghoda.

Re: SASSOON GROUP.

DEAR SIR,

Just called on Mr. Stone regarding the contract for their Sassoon Group of Mills and he informed me that he has an offer from The Havero Trading Co. at Rs. 2-14-0 per cwt., delivery at mill, as and when required—mill weight accepted, definite price.

Same offer from Manchester but invoice weight.

Naturally at this price we could not compete and Mr. Stone is very sorry, but he cannot place with us unless we can meet this competition.

~~We informed him we could not come down the price and he stated he regretted but he must place elsewhere on this occasion.~~

We are exceedingly sorry this important business has gone past us this time.

Yours faithfully,  
 For GANNON DUNKERLEY & Co., LTD.,  
 Director.

(12) Letter dated the 11th January, 1929, from the Pioneer Magnesia Works.

Re: PRICE OF GERMAN MAGNESIUM CHLORIDE FOR DOMESTIC AND FOREIGN CONSUMPTION.

In continuation of our letter of December 14th we beg to enclose herewith in original a letter from Messrs. Kabbur & Co., Ltd., of Manchester, to their Bombay Office, dated 13th December, 1928, which will be found of interest and will throw a flood of light as to prevailing Home prices and other handling charges.

We may inform you that in deference to the wish expressed by the Board in the course of the examination, to get them some reliable price figures of this article in Germany itself, after some effort we have succeeded in obtaining the information now sent which shows: First, that the Syndicate is putting up this product in the domestic market in flakes in oil paper-lined bags which eliminates the drum costs.

Secondly, that the f.o.b. price whether for Home or for export (excepting to India where the price is only £3-19-0 per 1000 kilos c.i.f. Bombay or Indian ports) is £4-5-0 which is considerably higher than here, and supports our contention of "dumping".

Thirdly, that the sundry charges after arrival c.i.f. Manchester up to godown roughly amount to about a pound per ton.

This we trust will help the Board to make their own calculations and form some idea of the true cost of this article in the various markets.

Enclosure.

*Copy of a letter, dated the 13th December, 1928, from Kabbur & Co., Ltd., Manchester, to their Bombay Office.*

I am interested to read from your letter of the 23rd ultimo that the Pioneer Magnesia Works are manufacturing Magnesium Chloride and that they have already sent trial lots to this country.

What the exact price here is I do not know at the moment, but £615-0 ex wharf is, as you say, quoted in the journal.

I have made a number of enquiries with regard to the price in Germany, but I am informed that in Germany the Syndicate supply the product in flakes in oil-paper lined bags, direct to the consumers.

I have not been able to find out the price but I have been given to understand from Hamburg that it is on the same level as the export price. The export prices vary, of course, according to the destination, as the Syndicate will now only quote o.i.f. and will not give any of the merchants f.o.b. prices. My information is that the f.o.b. price would work out approximately to £4-5-0 per ton.

Under these circumstances, I can see no possibility of purchasing 5 tons in Germany, and obtaining a contract such as you mention.

With regard to the question of sending a consignment of Indian Magnesium Chloride over here, I shall be very glad to have a 10 ton lot as a trial. The charges from c.i.f. Manchester would be as follows:—

Manchester Ship Canal Tolls . . . . .	5d. per ton.
Quay Porterage, if incurred . . . . .	5d. less 7½ per cent. less 10 per cent. per ton not weighed.
Collection <i>ex</i> steamer or quay, carriage to our warehouses, receiving into, stowing in and re-delivery to vehicle <i>ex</i> store . . . . .	7d. nett per ton weight gross.
Customs examination as incurred, extra storage rent whilst in store . . . . .	5d. per ton per week or part thereof.
Customs entry and attendance to documents . . . . .	8d. per ship.
Insurance . . . . .	This would only be a very small item.

With regard to Quay Porterage, Lloyds Packing Warehouses, Ltd., write as follows:—

"With regard to the Quay Porterage, we should endeavour to load direct over ship's side to barge for carriage to our warehouses, which we find usually is the most successful way of saving Quay Porterage charges, but it is necessary that you should let us have documents and instructions at least 24 hours prior to the arrival of the vessel so that we can make every effort in this direction."

If there is anything more I can do, please let me know.

(13) *Correspondence submitted by the Pioneer Magnesia Works, regarding the attitude of the German Magnesium Chloride Syndicate in Indian market.*

No. 1.—COPY OF A LETTER, DATED THE 17TH MAY, 1927, FROM HAVERO TRADING COMPANY, LIMITED, TO MESSRS. YAKIL BROTHERS.

*Re: Magnesium Chloride.*

As Sole Agents of the Deutschen Chlormagnesium Syndicate, we beg to invite you to attend to a meeting in order to discuss several questions regarding Magnesium Chloride.

We shall feel obliged therefore if your representative could arrange earliest possible to pay us a visit in our Office; we would ask you to kindly inform us by telephone beforehand at what time we may expect your representative.

No. 2.—COPY OF A LETTER, DATED THE 19TH MAY, 1927, FROM HAVERO TRADING COMPANY, LIMITED, TO MESSRS. YAKIL BROTHERS.

*Re: Magnesium Chloride.*

With reference to our to-day's interview, we beg to enclose our letter of 17th instant together with respective envelope which has been returned to us.

We shall be glad to see your Mr. Lalkaka on Monday afternoon as arranged, and remain:

*Bombay, the 21th May, 1927.*

**No. 3.—BRIEF SUMMARY OF CONVERSATION AT INTERVIEW AT THE OFFICE OF THE HAVERO-TRADING CO., LTD., OF BALLARD ESTATE, BOMBAY, BETWEEN MR. S. FUCHSMANN (THEIR HEAD MANAGER) AND MR. B. S. LALKAKA, MANAGING PARTNER OF THE PIONEER MAGNESIA WORKS OF KHARAGHODA, ON MONDAY, THE 23RD INSTANT, REGARDING SALE OF MAGNESIUM CHLORIDE.**

The Haverro-Trading Co., Ltd., as sole Agents of the German Magnesium Chloride Syndicate wrote two letters, dated the 17th and 10th May, as well as sent their representative Mr. Popper to the office of the Pioneer Magnesia Works in Bombay, requesting that their representative should pay them a visit if possible at the earliest opportunity, to discuss various important questions concerning Magnesium Chloride.

In response to this invitation Mr. Lalkaka called at their Office on Monday, 23rd afternoon, and had an interview with Mr. Fuchsmann in the presence of their Mr. Popper, of which the following is a brief and correct version.

Mr. F. opened the conversation by asking as to what Mr. L. thought about this matter, to which the answer was given that in the absence of any indication as to the nature of their proposals and without knowing what they had to say about it, Mr. L. was not in a position to give his views. Thereupon Mr. F. explained that the Magnesium Chloride manufacturers of Germany worked through a combine and had 2 or 3 principal organisations in their country to control the distribution and sale of their products in various parts of the world; that so far as India was concerned, the Haverro Trading Co., Ltd., had got the sole monopoly and that as far as Mr. F. understood, their Principals were far from satisfied with the comparatively small share of the business and the unremunerative prices that they were getting for their own material here in India, mainly owing to the keen competition of the Kharaghoda product.

Assuming the total annual consumption in India to be of about 5,000 tons, and the average price round about £5 per ton c.i.f. Bombay, the whole trade hardly amounted to more than about £25,000 a year in all, which was quite a fleabite to a big organisation like theirs or to the German Exporters.

However as far as Mr. F. could see, there were two courses open to them to secure this trade, viz.—

1. That the Germans should enter upon a rate-cutting war with the ultimate object of crushing down and driving the local industry out of the market even at some pains and sacrifice of money, and when this was accomplished, to exploit the market here to the fullest extent and to have the whole field to themselves. Mr. F. begged Mr. L.'s pardon for putting these things "so brutally" before him, but after all he asked what was happening all the world over and added that as far as the German nation was concerned, it was not only a struggle for existence but more or less a war of retaliation and revenge on their bitter enemies, and thus it was made clear that they would shrink at nothing to regain their former trade supremacy.

2. That the second alternative was to come to some sort of Mutual arrangement with the local Industrialist whereby a minimum selling price as well as quantities to be handled by each, could be fixed, and a kind of pool established, to exploit the consumers and to have their full share of the market. With the latter object in view, Mr. F. made certain tentative proposals to Mr. L. for serious consideration (as per attached schedule) in order that they may not feel compelled to resort to such extreme measures as above pointed out. This would only mean ruin to the Pioneer Magnesia Works and Mr. L. was requested to go into details with their representative Mr. Popper, with a view to determine the actual relative quotas that could be established for each side, and to get a true idea about the minimum on the basic prices to be arrived at, so that an agreement could be made on those lines between both the parties. Without committing himself in any way, Mr. L. mentioned that his company had been in profit sharing arrange-

ment with the Government of India, that they had certain existing sale contracts as well as Agency arrangements which could not be disturbed, and that without careful consideration and proper consultation with his Principal partner Sir Rustom Jehangir Vakil who was away in England, it was not possible for him to come to any decision in the matter. In order however to elicit all possible information from the other side and to know how far they were prepared to go to put their threat into execution, Mr. L. expressed willingness to consider their proposals. Before parting Mr. L. said that he realized that theirs was a very powerful combination against which it might perhaps be difficult for small firms like the Pioneer Magnesia Works to stand. However he showed Mr. F. a copy of their Magnesium Chloride Report and gave him to understand that this was not the first or the only proposal of its kind received by the Company; that they had three other previous proposals before them within the last two years, which had come to naught—and that anticipating this cut-throat competition, their Company had already been at great pains and as a matter of fact they had the whole problem thoroughly investigated by capable chemical experts here and in Europe, and in course of time they hoped to put up an up-to-date modern plant at their Factory, to enable them to take out a much better product at lessened costs and to be able to extract certain other bye-products as well. This was not meant as a threat but only to show that the Pioneer Magnesia Works also, were alive to the situation and were fully prepared to stand up against any legitimate foreign competition however serious.

There the interview ended.

No. 4.—COPY OF A LETTER, DATED THE 30TH MAY, 1927, FROM THE PIONEER MAGNESIA WORKS, TO THE HAVERO TRADING CO., LTD.

*Attention of Mr. S. Fuchsmann.*

Reference your two letters of May 17th and 19th; regarding Magnesium Chloride.

In response to your invitation and to your representative Mr. Popper's call, our Mr. Lalkaka had an interview with your good self on the 23rd instant, with the following result.

In the course of the discussion you represented to us that:—

(1) The Magnesium Chloride manufacturers of Germany worked through a big combine, having 2 or 3 general Agents in that country to control the distribution and sale of their product in various parts of the World.

(2) The Havero Trading Co. being appointed sole Agents of the Deutsch-Chlor-Magnesium Syndicate, would have the sole monopoly of this trade in India.

(3) Your principals were far from satisfied with the sales and the low prices realized in India chiefly owing to competition, from us which has no doubt led to the present negotiations with us to see how to avoid this rivalry.

(4) The whole annual turnover in India being in the vicinity of 5,000 tons valued at about £25,000 sterling, you said that it was only a fleabite to such powerful interests like yours and therefore hardly worth much bothering about. But still with a view to keep your full share of it, you put it before us very forcibly and gave us to understand that in your opinion there were two courses open to beat down this opposition, viz.:—

(a) that the Germans should in all seriousness enter upon a rate-cutting war with the local product with the idea of throttling this Industry and squeezing it out, even at some sacrifice of money and labour, and when this was accomplished to have the entire field to themselves; more especially as this was what was happening all the world over in many an important industry, and there was no reason why the same principle could not be applied here—or

(b) that in the alternative, there should be some sort of mutual understanding between our two Companies whereby a pool could be established, and the relative quotas on each side fixed, with a view, to maintain a certain minimum price for both the German and the Kharaghoda products, which would be equally beneficial to both.

(5) With the latter idea in view, you were good enough to outline certain tentative measures as per two copies made out, and asked us how far we would be agreeable thereto, and you also desired to get accurate figures from us showing the average annual Customs import returns together with the sales made by us, during the past few years.

We are indeed obliged to you for giving us this opportunity of reviewing our position, and we would no doubt be willing to consider your proposals seriously in our mutual interests.

We wish to emphasise one point however that so far as the relative quantities are concerned nothing under 50 and 50 per cent. on either side would do in our opinion, as you will kindly note.

Before parting, the writer had pointed out to you that on account of our principal partner Sir Rustom Jehangir Vakil being away in England he was not in a position to give you any off hand answer. Besides it may be noted that by virtue of our existing stamped Agreement with the Government of India (with the Secretary of State for India in Council) all our raw material is drawn from the Government Salt Works of Kharaghoda and hence we are naturally under certain Royalty obligations to them, and we must therefore obtain their general approval in this matter.

May we therefore request your kindly putting before us at your earliest convenience your *definite* proposals after due consultation with your Principals, so that upon hearing from you we may be in a position to give you our considered reply with the least delay possible.

Trusting this will meet with your approval.

Bombay, the 2nd June, 1927.

No. 5.—NOTES REGARDING 2ND INTERVIEW WITH HAVERO TRADING CO., LTD., ABOUT MAGNESIUM CHLORIDE DISCUSSIONS.

The Pioneer Magnesia Works addressed a letter on 30th May to the Havero Trading Co., Ltd., recording the purport of the first meeting between their Head Manager Mr. S. Fuchsmann and Mr. B. S. Lalkaka on the 23rd idem.

On receipt of this letter Mr. Popper again called on Mr. Lalkaka next morning to say that Mr. Fuchsmann would be much obliged if Mr. Lalkaka would see him, as there were various matters which could not be put on paper and a personal discussion was therefore desirable.

Thereupon Mr. Lalkaka interviewed Messrs. Fuchsmann and Popper at their office, the same afternoon (i.e., 31st May) in company of Mr. John C. Manning as representing Messrs. Vakil & Co. of Bombay who are handling all the Magnesia Sales for the Pioneer Magnesia Works in Bombay.

Mr. Fuchsmann mildly reproved Mr. Lalkaka asking what he meant by writing such a letter and making reference to certain confidential conversation that may have taken place at their said interview; that this was more like a Solicitor's notice and could not possibly be accepted by him or sent to his Home Principals in the present form; that if it fell into malicious hands it might be wrongly interpreted and that unless Mr. Lalkaka would be good enough to take it back and recast it, he would be forced to give a categorical denial to the statements made in the letter.

He further desired that instead of insisting upon 50 and 50 per cent. basis from the beginning, in regard to relative quotas to be fixed for the



German and the Kharaghoda Sales, it would be better to cut that out also and to leave the door open for suitable adjustments in the light of actual figures to be gone into hereafter and having regard to any extenuating circumstances that may be pleaded on either side.

Conversation then drifted to their Sales organisation when Mr. Fuchsmann brought forth two big blue print Charts showing the actual figures of colours and dyes imported to India from the various countries of the World for the past so many years, and showing how their own yearly turn over ran into some 2 to 3 crores of rupees. They had, he said, 12 draughtsmen and 2 or 3 European Assistants doing nothing but this charting work and there was not an important Mill Centre throughout India where they had not one or other of their staff working. So that this should give just a small idea of what their organisation was like and that if they were so minded they would find no difficulty in capturing every bit of this Magnesium Chloride trade in India.

Mr. Fuchsmann inquired if Sir Rustom Vakil (Chief Partner of the Pioneer Magnesia Works) was also not the Government Salt Agent at Kharaghoda, and he also desired to know whether according to their Royalty Agreement, the Pioneer Magnesia Works had only to give a formal intimation to the Government about any Pooling arrangements with the Haverø Trading Co., or whether the Government had the right to veto such proposal. This was suitably replied to. Mr. Lalkaka then drew Mr. Fuchsmann's attention to the fact that a rebate of £1 per ton was being freely given on all German Magnesium Chloride sold to upcountry centres like Ahmedabad and other places away from Bombay (where the Pioneer Magnesia Works had a good footing and were advantageously situated on account of the nearness of distance or other favourable circumstances) and that this was tantamount to dumping in one form or another to which no reply was given.

Mr. Lalkaka also inquired how far the Haverø Trading Co. would be prepared to consider another alternative proposition, viz., an outright sale of a certain reasonable quantity at fixed prices in lieu of this pooling arrangement, and with proper safeguards and guarantees to prevent further importation of like goods of German origin directly or indirectly through any other channels.

Mr. Fuchsmann said he would be glad to consider this proposal.

The last point touched upon was about any local indigenous competition arising in the future for which Mr. Fuchsmann suggested that as far as possible efforts should be made to bring them also in the pool, failing which the other two should combine and squeeze them out.

There the interview ended.

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No. 6.—COPY OF A LETTER, DATED THE 2ND JUNE, 1927, FROM THE PIONEER MAGNESIA WORKS, TO THE HAVERØ TRADING CO., LTD.

*Attention of Mr. S. Fuchsmann.*

Reference your two letters of May 17th and 19th regarding Magnesium Chloride Sales.

In response to your Mr. Popper's further call our Mr. Lalkaka had the pleasure of meeting you once again on the 31st ultimo in company with Mr. John C. Manning (a representative of Messrs. Vakil & Co., who are handling all our sales here) and we have as desired recast our original letter of May 30th, which you were kind enough to return to us with a request that we should do so.

We hereby wish to submit that we are quite prepared—subject to any formal consultation we may have with the Government of India by virtue of our Royalty Agreement with them—to consider seriously your suggestions about some sort of mutual understanding between our two companies, whereby a pool could be established and relative quotas and minimum prices

fixed to keep up our respective sales as might be equally beneficial to both the German and the Kharaghoda products.

Regarding figures of our sales as required by you, we do not think that any good purpose will be served by our disclosing them to you now, but we shall be glad to do so after receipt of some definite proposals from your side in this regard and after duly submitting them to our chief Partner Sardar Sir Rustom Jehangir Vakil who is now away in Europe.

We do not anticipate any insuperable difficulty in adjusting the relative proportionate quotas on both sides, but for the present our sales may be taken as X and the foreign imports as Y quantity, and any proposals emanating from you may be formulated on this assumption as a starting basis for purposes of this scheme.

We would also invite your attention here to two more points, viz. :—

(1) How would you be prepared to consider as an alternative, an outright sale to us of a certain reasonable quantity on the basis of the actual average c.i.f. prices in Bombay for the past five years for instance, with a distinct guarantee and suitable safeguards to us to see that no surreptitious foreign imports of any such goods of German origin take place directly or indirectly, as otherwise it would be well-nigh impossible for us to buy a large quantity and at the same time run the risk of further foreign competition, through other chemicals.

(2) In the event of any serious competition arising any time by Manufacture of this very product in India hereafter, of which we believe there is every possibility in the near future, you should also take this into account in any scheme that may be formulated to meet such a contingency. You will no doubt realize that unless any arrangement be arrived at on the principle of "Give and take" and in a spirit of fairness, it would be futile to expect very fruitful results.

Meanwhile we feel sure that pending result of the negotiations now in progress, there should be no under-cutting of rates to gain any unfair advantage on either side.

Upon receipt of your concrete proposals on all these points in a suitable form and in due consultation with your principals, we shall be glad to communicate further, and to obtain a suitable cable reply if necessary from our Partner Sir Rustom Vakil, who as you know is abroad.

Trusting this will meet with your approval.

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No. 7.—COPY OF A LETTER, DATED THE 7TH JUNE, 1927, FROM THE HAVERO TRADING Co., LTD., TO MESSRS. THE PIONEER MAGNESIA WORKS.

*Re: Magnesium Chloride Sales.*

We have still to confirm receipt of your letter of 2nd instant contents of which have been noted.

We are now communicating with our Principals and shall approach you again with concrete proposals in due course.

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No. 8.—COPY OF A LETTER, DATED THE 15TH SEPTEMBER, 1927, FROM THE HAVERO TRADING Co., LTD., TO THE PIONEER MAGNESIA WORKS.

*Re: Magnesium Chloride.*

Further to our previous correspondence ending with your letter of 2nd June a. c. we beg to inform you that we have now received definite instructions regarding the proposed distribution and price agreement for Magnesium Chloride from the German Magnesium Chloride Syndicate as well as the formal authorization, asked for by you, confirming our sole right to negotiate with your goodselves in this respect.

We shall feel obliged, therefore, if your Mr. Lalkaka could arrange to call at our Office at his earliest convenience, in order to discuss matters definitely and to come now to the proposed understanding which would be equally beneficial to both the Kharaghoda and the German products.

No. 9.—POINTS OF PROPOSED AGREEMENT.

1. The annual consumption at present is estimated at about 4,500 tons. From this quantity Kharaghoda shall receive sale rights for 25 per cent., in case of need up to 30 per cent. In case the consumption increases or decreases by more than 20 per cent. a new quota for both parties shall be fixed.
2. The agreement shall remain in force till end of 1928. In case the consumption fluctuates as pointed out above and an understanding regarding the new quota cannot be arrived at, both parties will be authorized to give a three months' notice.
3. Both parties quote equal prices (proposed Rs. 44-0 per cwt., f.o.r. Bombay, Madras, Calcutta or Okha respectively) f.o.r. Kharaghoda the discount granted hitherto by the Syndicate for deliveries up-country or to Port Okha will be removed. Prices are fixed on basis of the present sea freight rates and railway rates in Germany; in case of upward alterations in these rates the prices will have to be raised accordingly and Kharaghoda bind themselves to follow such increase in prices. The K. W. bind themselves further to try to sell within their natural selling district, viz.—
4. In case of any serious competition arising during the duration of the agreement, by manufacture of Magnesium Chloride in India or imported stuff from other side than the G. S., new negotiation will be entered and both parties shall try jointly to come to an understanding with the new competition. In case this is not possible within 4 weeks the Syndicate and Kharaghoda can resolve to continue the agreement and to take steps to compete the new opponent jointly or if such a resolution is not desirable the agreement is to be considered as terminated and both parties are free as regards their further sales or sales policy.
5. The Kharaghoda Works bind themselves not to enlarge their production during the duration of this agreement nor to erect new plants for the manufacture of Magnesium Chloride nor to share in any way in such new plants.
6. The above terms are subject to the final confirmation of the Syndicate.

23rd May, 1927.

No. 10.—ROUGH MEMO. OF ARRANGEMENT PROPOSED BETWEEN HAVERO TRADING Co., LTD., AND PIONEER MAGNESIA WORKS, REGARDING MAGNESIUM CHLORIDE.

1. Having regard to total consumption in India and the quantities hitherto sold by each side, it might be advisable to arrive at a common understanding in regard to prices and quantities to be handled by each party.
2. Period of agreement to be for 7 years "tentative".
3. Havero Trading Co. as the Sole Representative of the German Syndicate and on their behalf would enter into this agreement with the Pioneer Magnesia Works.
4. Quantities to be determined according to past five years average.  
Minimum price to be fixed below which nobody can sell and no rebates or secret commissions to be allowed on the minimum price so fixed.  
Sale figures and particulars to be open to inspection and subject to proper auditing by a reputable firm of Auditors.  
Each side to have their organization independent of any interference on either side. The Pioneer Magnesia Works may be allowed to keep the

minimum price slightly lower than the German price to make up for any prejudice on the part of the consumers.

Quantities sold by each party to be ascertained periodically, say every three months, and any excess quantity sold by the one or other to be suitably adjusted in the following way, viz.:—

That the excess quantity to be calculated at a fixed basic price per ton and whatever surplus amount is realised over and above the fixed basic price, it should be pooled and divided together by and between the two parties in suitable proportions.

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No. 11.—COPY OF A LETTER DATED THE 28TH SEPTEMBER, 1927, FROM THE HAVERO TRADING CO., LTD., TO MESSRS. THE PIONEER MAGNESIA WORKS.

*Re: Magnesium Chloride.*

With reference to our last weeks interview we herewith beg to hand you our tentative proposal regarding a price and sale agreement for Magnesium Chloride, subject to final approval by our Principals, the German Magnesium Chloride Syndicate.

In addition to the different points we beg to offer the following remarks:—

*Re. Clause 1—Duration:* We have explained to you that for the present the agreement can only be made up to the end of next year as there may be changes with regard to the present constitution of the Syndicate.

*Re. Clause 2—Price:* The rate of Rs. 5-4 has been mutually agreed upon during our last interview; as regards the last paragraph of this clause we thought it necessary to fix at once the penalty to be borne by the party breaking the agreement.

*Re. Clause 3—Quantities:* The distribution key of 70 per cent., 30 per cent. represents the best terms we are authorized to offer on behalf of the Syndicate and we sincerely hope you will agree to same.

*Re. Clauses 4, 5 & 6:* No material change has been made as regards these paragraphs and we shall now thank you to let us have your remarks or eventual counter proposal by return, and remain.

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28th September, 1927.

No. 12.—DRAFT FOR PROPOSED AGREEMENT REGARDING A PRICE AND SALES CONVENTION FOR MAGNESIUM CHLORIDE.

1. *Duration:* The agreement to be made between Haverø Trading Co., Ltd. of Bombay (hereinafter called Haverø) for and on behalf of the German-Magnesium Chloride Syndicate of the one part and the Pioneer Magnesia Works of Kharaghoda (hereinafter called Kharaghoda) of the other part is to be closed for the period up to the 31st of December 1928. Provided no notice has been given from either side 3 months before expiration, this agreement is to continue for a further period of 3 years. An earlier termination of the Agreement may take place under circumstance pointed out under clause 4.

2. *Price:* Both, Haverø and Kharaghoda to quote and charge equal prices to be fixed at Rs. 5-4 per cwt. net f.o.r. Karachi, Okha, Bombay, Madras, Calcutta and Kharaghoda respectively. In case the present railway freight in Germany or India and/or the present sea freight rate from Germany to India are increased the price of Rs. 5-4 will be raised accordingly and both parties bind themselves to follow and adhere to the new rate. No discount, rebate or allowance to be given, neither direct nor indirect, from the fixed rate. Separate books are to be kept by each party for their Magnesium Chloride business wherein full particulars of the sale thereof shall be entered. These books are to be kept open for monthly inspection and report by auditors appointed by mutual consent.

In case one party having sold below the fixed rate the other to have the right either to sell an equal quantity in addition to its usual share at the same reduced price or to receive a refund amounting to the difference between the fixed rate and the rate at which the lower priced sales have been made; the option which of the above alternatives to be applied to be with the injured party.

3. *Quantities:* Havero to have a 70 per cent. share and Kharaghoda to have a 30 per cent. share of the total Indian business. Quantities sold or contracted for by either side to be compared quarterly; in case one party proves thereby to have oversold the other, the proportion to be readjusted during the next quarter by restriction of the sales of the party having exceeded its share and the party overselling during the last quarter of this agreement to refund to the other the amount of Re. 0-8-0 per cwt. on all quantities sold in excess of the fixed share.

Present running contracts of either party respectively the unexecuted balance of such contracts at the date when this agreement comes into force, to be taken into account as new sales; prices of such contracts will however not be affected by the rate quoted under clause 2 but the rate at which the contract has been closed to remain in force until executed.

4. In case of any serious competition arising during the duration of the agreement, by manufacture of Magnesium Chloride in India or imported stuff from other side than Germany new negotiations will be entered and both parties will try jointly to come to an understanding with the new competition. In case this is not possible within 4 weeks Havero and Kharaghoda can resolve to continue the agreement and to take steps to compete the new opponent jointly or if such a resolution is not desirable the agreement is to be considered as terminated at the end of the running quarter and both parties are free as regards their further sales or sales policy.

5. The Kharaghoda Works bind themselves not to enlarge their production during the duration of this agreement nor to erect new plants for the manufacture of Magnesium Chloride nor to share in any way in such new plants.

6. In extension to the above it is proposed to form a joint sales organization to which all enquiries and orders will be passed on from Kharaghoda as well as Havero for attention and action. This sales organization would have to distribute all orders between Kharaghoda and Havero according to the key laid down in clause 3 whereby the quarterly re-adjustment would become unnecessary and the business could be divided in the most economical way.

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No. 13.—COPY OF A LETTER, DATED THE 5TH OCTOBER, 1927, FROM THE PIONEER  
MAGNESIA WORKS, TO HAVERO TRADING CO., LTD.

*Re:* Magnesium Chloride.

Reference: letter dated the 28th September 1927.

We thank you for your above letter and the proposed draft Agreement regarding Sale quantities and price, etc., to be fixed between our two Companies.

We have carefully considered the same and wish to comment as under:—

*Clause 1—Duration:* The period of one year is far too short for a matter of this importance, and in our opinion it should at least be for 5 or 7 years unless terminated earlier for any grave reasons.

*Clause 2—Price:* To fix this at so much per cwt. nett f.o.r. Karachi, Okha, Bombay, Madras, Calcutta and Kharaghoda products would be as mentioned by you equally for both the German and the Kharaghoda products distinctly unfair and disadvantageous to us, inasmuch as our Sales to any places beyond a radius of a few miles from the Factory, would be absolutely doomed on account of the additional Railway freights up to the principal consuming markets, where you would be practically enjoying a monopoly against us, e.g., in Bombay and elsewhere. In the absence therefore of a

corresponding Sliding Scale to compensate us for this disadvantage, we consider your proposition to be entirely one-sided and offering no inducements to us.

*Clause 3—Quantities:* The relative quotas sought to be fixed by you are unthinkable from our point of view, and we regret we cannot see our way to accept any such doles from you. In that case, we would rather take a chance on getting our full legitimate share of this business by remaining independent of any such Agreement.

Besides there is no protection or remedy to us in the event of your Magnesium Chloride Syndicate choosing to sell to anybody at less than the stipulated rate or Rs. 5-4 per cwt. f.o.r. Bombay for instance, just before execution of this Agreement. We fear that this might upset all our plans and knock us out of the market altogether for a considerable time to come.

*Clause 4:* Noted.

*Clause 5:* This is not acceptable to us at least under the present circumstances mentioned in your proposed Agreement.

*Clause 6:* This condition also is too loosely worded and requires to be worked out in greater detail before it could be accepted.

In conclusion, we might inform you that as our Principal partner Sir Rustam Vakil is starting from Europe in about a Week's time (according to his telegram now received) the matter may be kept in abeyance till we have had an opportunity of thrashing it out further with him. A couple of weeks delay will hardly make much difference. Meanwhile we suggest that you might also communicate our views to your Principals in Germany by this Mail and obtain their telegraphic consent if need be, to any final arrangements that might be ultimately decided between us any time during next month.

Trusting that this course will meet with your approval.

No. 14.—COPY OF A LETTER, DATED THE 19TH NOVEMBER, 1927, FROM THE PIONEER MAGNESIA WORKS, TO THE HAVERO TRADING CO., LTD.

*Re: Magnesium Chloride.*

We thank you for your favour of the 14th instant, and note the contents.

*Re. Clause 3—Quantities:* This is the crux of the whole question, and since both of us cannot agree upon this, we do not think that any useful purpose would be served by pursuing the matter further or trying to come to an arrangement on any other points.

Under the circumstances you will kindly realize our inability to accept your proposals.

No. 15.—COPY OF A LETTER, DATED 14TH NOVEMBER, 1927, FROM THE HAVERO TRADING CO., LTD., TO THE PIONEER MAGNESIA WORKS.

*Re: Magnesium Chloride.*

As suggested in your letter, dated the 5th October, we have passed on copy of the draft agreement handed to you by our letter of 28th September, as well as your reply by your abovementioned letter to our Principals from whom we now received the following instructions.

*Re. Clause 1—Duration:* Our Principals cannot close an agreement for a longer period than up to the 31st December 1928, for the present; they are however agreeable to continue the agreement for a further year subject to the Syndicate remaining in existence and to renew the agreement so on every year, the agreement expiring automatically without notice in case the Syndicate should be dissolved by its members.

*Re. Clause 2—Price:* Our Principals leave it to us to fix a reasonable price in mutual agreement with you. The objections raised in your letter

of 5th October, are not quite intelligible to us since you proposed the rate of Rs. 5-4 per cwt. equally f.o.b. Main Ports and f.o.r. factory Kharaghoda. Moreover a fixed turnover being guaranteed to you we do not understand your remarks as to the one-sidedness of our proposition, etc.

*Re. Clause 3—Quantities:* We are informed that the orders placed with our Principals during this year exceed by far the turnover of previous years; the distribution key of 70 per cent.; 30 per cent. originally proposed by us would be the utmost our Principals would be prepared to agree upon in order to show their willingness to come to an understanding.

Your fear that the Syndicate might sell at lower rates just before ratification of the agreement is really groundless. First of all you might adopt this policy as well (you have even informed us that you have booked contracts of long duration for considerable quantities) but on the whole we think that clause 3 as drafted will not tempt any party to sell unduly big quantities, thereby forfeiting a bigger profit on the guaranteed turnover later on.

*Re. Clause 5:* Our Principals consider this clause as essential and absolutely fair.

*Re. Clause 6:* Our Principals refuse the propositions made under this clause as not practicable and expedient.

Concluding we beg to state that the Syndicate desires your definite decision until the 25th instant; we shall be glad to talk over matters with you once more personally and remain, dear Sirs.

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No. 16.—COPY OF A LETTER, DATED THE 21ST DECEMBER, 1927, FROM THE HAVERO TRADING Co., LTD., TO THE PIONEER MAGNESIA WORKS.

*Re: Magnesium Chloride.*

We beg to acknowledge receipt of your letter of the 19th instant for which we thank you.

The proposal referred to in your letter under reply has been duly conveyed to the Syndicate but we are sorry to say that our Principals could not see their way to accept your proposal and we are informed that under these circumstances they prefer to continue business on the same lines as done hitherto.

Thanking you for the good-will shown during our recent negotiations, we remain.

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No. 17.—COPY OF A LETTER, DATED THE 19TH DECEMBER, 1927, FROM THE PIONEER MAGNESIA WORKS, TO THE HAVERO TRADING Co., LTD.

*Re: Magnesium Chloride.*

*Attention of Mr. Popper.*

We beg to recall the visit of yourself and Mr. Stuern at our office on the 29th instant, when the latter said that he had only just arrived from Germany and had gone through all the correspondence that had recently passed between us, and he wished to enquire what chance there was of our coming to terms and so on.

The writer informed him that as matters stood, it was hopeless to expect any good results. It was however suggested that instead of fixing any definite quotas to be handled on each side, perhaps it might be better to leave ourselves free to cater for whatever business we could obtain, and fix up a definite workable price only, with this further proviso that should any party sell more than the other, the surplus should be brought into the pool to be

divided equally on the basis of whatever price may be fixed between us beforehand.

*E.g.*, supposing you sold 1,000 tons more than us in a year, that quantity multiplied by say 20 Rs. a ton=Rs. 20,000, or more or less should be pooled together for division equally amongst both the parties at the end of the year, and *vice versa*. You said that as this was a new proposition, you would have to consult your Home Principals and hence we write this to inquire what you have done in this regard and how the matter rests now?

Awaiting your reply at early convenience.

(14) *Letter No. 40, dated the 14th January, 1929, from the Tariff Board, to the Pioneer Magnesia Works, Bombay.*

I forward herewith a summary of the main points discussed in your interview with Dr. Matthai at the Board's office on Saturday, the 12th and shall be glad if you will confirm it.

1. *Factory charges.*—The head "Factory charges" in the costs of 1922 includes (a) works labour and (b) general services, supervision and local office charges incurred at Kharaghoda, that is, items II and V as given at page 21 of the replies to the questionnaire in the present enquiry.

2. *Head Office.*—"Head Office establishment and charges" as shown at page 22 of the replies to the questionnaire consist of general charges incurred at Bombay and Ahmedabad such as sundries, rents and taxes, travelling establishment, bad debts, insurance and audit fees. The reduction in this item as compared with 1922 is due partly to the fact that there are now no separate office establishments at Bombay and Ahmedabad and that one of the partners Mr. Mehd, has ceased to receive remuneration for services rendered.

3. *Repairs and Maintenance.*—"Repairs and maintenance" are not shown separately in the costs but are included in "factory charges" except when large sums are incurred as in 1926 and 1927 on account of the floods. Repairs to the copper pans do not generally exceed one anna per cwt.

4. *Royalty, Labour and Fuel.*—The charges for royalty, labour and fuel are now fixed by agreement with Government and with Contractors on the basis of so much per unit of Magnesium Chloride produced and despatched.

5. *Transport and Handling.*—"Transport and handling" at Bombay may be brought down from 5 annas a cwt. as shown at page 23 of the replies to the questionnaire, to about 4 annas by gradual elimination of double handling. These charges are lower at Ahmedabad on account of shorter distances and cheaper labour.

6. *Selling charges.*—Commission on sales is calculated at 5 per cent. on the realised price as delivered at the Mill. To this must be added discounts to Mills, shortweight allowances and special commissions in the case of certain orders which otherwise might be lost on account of the present severe competition in the market.

7. *Ahmedabad prices.*—The price of Magnesium Chloride at c.i.f. £3-19-0 per short ton imported, *via* Okha, is Rs. 3-11-0 cwt. delivered at the Mills in Ahmedabad. The highest price realised by the Pioneer Works at Ahmedabad during the present season has been Rs. 3-6-0, the average being Rs. 3-4-0. There is more prejudice against the Indian product at Ahmedabad than at Bombay.

8. *Production.*—The works at Kharaghoda can produce 3,000 tons of Magnesium Chloride from fresh bitters as they are run off the pans. Any increase in output above 3,000 tons would necessitate special storage arrangements which the company would be prepared to instal if the necessary market could be obtained.



(15) *Letter dated the 15th January, 1929, from the Pioneer Magnesia Works.*

**Re: SUMMARY OF MAIN POINTS DISCUSSED WITH DR. MATTHAI ON THE 12TH INSTANT.**

Your No. 40, dated 14th January, 1929.

We beg to thank you for the above Summary received yesterday for our confirmation and in reply to offer the following remarks, *viz.*—

1. *Factory charges.*—This is correct inasmuch as in the previous tabulated statement, no separate head appears to differentiate between (a) Works labour and (b) General services supervision and local office charges at Kharaghoda as is now shown in our Replies to the Board's questionnaire under Heads II and V together, which brings the present combined cost to about Re. 6-1-6 per cwt. as against a higher figure before.

2. *Head Office.*—In our present Replies to the Questionnaire, this is shown in overhead charges at page 22, and mainly consists of Bombay Head Office Establishment and Managing Partner's allowance, etc., though without sundries such as rents, taxes, insurance, travelling expenses, audit fees and bad debts, etc., which all appear under a separate head, *viz.*, No. VII, at page 21. The saving is doubtless due to the fact of there being no separate Offices of our own to maintain either at Bombay or Ahmedabad and that our former partner Mr. Mehd who also drew a working allowance has ceased to do so, in consequence of his retirement from the Firm since a few years.

3. *Repairs and maintenance.*—These have been particularly heavy in 1926 and 1927 on account of the damage done in the big Flood. Prior to that year no separate account was maintained for this item (as is shown under No. IV in our Replies now) but was included under the general head of Factory charges in the former statements. Repairs and replacement costs of our copper pans would not ordinarily exceed about an anna per cwt. as mentioned.

4. *Royalty, Labour and fuel.*—These are as fixed by arrangement with the Government as well as by contract with the different parties concerned. Moreover the item of drums and packing too is more or less fixed except for the cost of sheets which might sometimes vary and over which we cannot have any control.

5. *Transport and handling.*—This is quite true.

6. *Selling charges.*—This is also true.

7. *Ahmedabad prices.*—On scrutinizing our sales figures we find that the average gross realization on our Magnesium Chloride sold at Ahmedabad during the years 1927 and 1928 works out at Rs. 3-8-4 and Rs. 3-3-9 per cwt. respectively.

8. *Production at Kharaghoda.*—There is no particular difficulty as regards production of about 3,000 tons from fresh Bitterns every year. Further increased output however if warranted by market conditions or required could easily be turned out by better storage arrangements or by adding to the present series of about 17 pans as now used on the present production.

(16) *Letter dated the 23rd February, 1929, from the Pioneer Magnesia Works.*

**Re: GRANT OF PROTECTION TO THE MAGNESIUM CHLORIDE INDUSTRY.**

In the course of our evidence before the Tariff Board it had been stated that apart from the use made by the Indian textile Mills for Sizing purposes, Magnesium Chloride was also extensively used as a flooring ingredient and that several thousand tons were annually imported into this country by the Indian Railways and Tiles manufacturers not as Magnesium Chloride but as Flooring Composition, the price being included in that of the other imported

material. Consequently Magnesium Chloride as such (imported for Flooring purposes) found no place whatever in the Customs Returns.

This statement was made by us on the authority of the Elephant Glazed Tiles Factory near Bombay, who happen to be one of our most important customers in that line for the present.

But this theory is now further corroborated from another quite independent source and thinking it might be of some interest to the Board, we have taken the liberty of enclosing a copy of one important letter from the Magnesite Syndicate, Ltd., near Salem (South India), dated 18th instant, together with our reply for information.

Enclosure No. 1.

COPY.

THE MAGNESITE SYNDICATE, LTD.

(Incorporated in England.)

SURAMANGALAM,  
SALEM DISTRICT;  
18th February, 1929.

Railway Station SALEM Junction.  
Telegram " Magnesite ", *Suramangalam*.  
Codes Bentley's & A B C 5th.

London Office:

310, Winchester House,  
Old Broad Street, E.C. 2.

MESSRS. THE PIONEER MAGNESIA WORKS,  
Chartered Bank Buildings,  
Fort Bombay.

DEAR SIRs,

We understand that you manufacture Magnesium Chloride in India and we shall be pleased to receive your sample and quotation.

We import large quantities for our flooring department and if we find your material suitable we hope to do business.

We are,

Yours faithfully,

The MAGNESITE SYNDICATE, LTD.

(Sd.) G. FINLAYSON,

Manager.

Enclosure No. 2.

22nd February, 1929.

THE MAGNESITE SYNDICATE, LTD.,  
Suramangalam, Salem District,  
South India.

Re: MAGNESIUM CHLORIDE.

DEAR SIRs,

We were very pleased to have your kind inquiry of the 18th instant, informing us that you were importing this in large quantities for your flooring department and would be glad to do business with us provided our material was found suitable for your purpose.

In reply we may inform you that we are manufacturing this since 1915 at the Government Salt Works, situated at Kharaghoda near Viramgam Junction on the Bombay, Baroda and Central India Railway line (about 400 miles north of Bombay) and we are supplying very extensively (to the tune of several thousand drums every year) for textile purposes to Mills all over India both under European and Indian Management.

Most important groups of Mills like the Tatas-Sassoons-Currimbhoya-Wadias Finlays and a host of others too numerous to mention are our regular customers as well as many of them are on yearly contracts with us and our product has also found a ready market in foreign countries like Great Britain and Australia (for Stucco Work) and even to Shanghai and New York where we have recently sent several shipments.

We may further state that of late we have been regularly supplying hundreds of drums to a particular Tile Factory near Bombay and through them got a large order for a certain important Railway Company also, so that you may be sure that we shall be able to take care of all your requirements if you are pleased to place any business with us.

We are enclosing herewith some copies of comparative analysis made here and in Europe for information.

Our packing is in 7 cwt. strong galvanised drums, and as for quality it may be noted that our standard solid fused quality is used by the Mills here as either the crystal fused or paly crystal quality is approved by the Tile Works for flooring composition.

We have instructed our Kharaghoda Works to supply you from there with suitable samples of the qualities mentioned. Our price in Bombay just now is Rs. 3.4.0 per cwt. f.o.r. Bombay which we fully trust will suit you.

If in the future you have a large turnover and can regularly buy in wagon lots from us we may approach the Railway administration for suitable freight rates for you or even arrange to ship *via* Madras or any other near port as you may find suitable and we shall esteem it a favour if you will be so good as to give us some idea of your annual consumption and also place a small trial order which we assure you will be found satisfactory.

Awaiting your kind reply in due course.

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(17) Letter dated the 23rd February, 1929, from the Pioneer Magnesia Works.

Re: MAGNESIUM COMPOUNDS IMPORTS INTO UNITED KINGDOM AND UNITED STATES OF AMERICA.

We have the honour to forward herewith for information copy of a letter, dated London, 30th January, 1929, from the Board of Trade, showing these returns for the years 1926 and 1927 along with a statement received from the American Consulate here which might prove of some use to the Board in connection with their present enquiry.

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Enclosure No. 1.

COPY OF LETTER RECEIVED FROM THE BOARD OF TRADE.

30th January, 1929.

GENTLEMEN,

With reference to your letter of the 10th January (No. 10526), I am directed by the Board of Trade to inform you that the official classification according to which the importers are required to furnish to the Customs Authorities particulars of the goods imported by them does not provide for

the separate enumeration of Magnesium Chloride. The Board are, therefore, unable to furnish you with statistics of the import of this product.

I am, however, to state that the imports of Magnesium Chloride are included in those recorded under the general heading "Magnesium Compounds" (including chloride and sulphate) in the Trade returns of the United Kingdom, the aggregate imports of which amounted to 25,691 tons and 28,592 tons in 1926 and 1927, respectively. Of these quantities the imports consigned from Germany amounted to 25,324 tons and 27,132 tons respectively.

According to the official trade returns issued by the German Government, the exports of Magnesium Chloride and Magnesium Chloride Dye from Germany to Great Britain and Northern Ireland were as follows:—

Year.	Tons.
1927 . . . . .	7,903
1926 (January—November) . . . . .	4,198

Enclosure No. 2.

COPY.

**THE MAGNESITE SYNDICATE, LTD.**

(Incorporated in England.)

**SURAMANGALAM,**  
SALEM DISTRICT;  
18th February, 1929.

Railway Station SALEM Junction.  
Telegram "Magnesite", Suramangalam.  
Codes Bentley's & A B C 5th.

London Office:  
310, Winchester House,  
Old Broad Street, E.C. 2.

MESSRS. THE PIONEER MAGNESIA WORKS,  
Chartered Bank Buildings,  
Fort Bombay.

DEAR SIRs,

We understand that you manufacture Magnesium Chloride in India and we shall be pleased to receive your sample and quotation.

We import large quantities for our flooring department and if we find your material suitable we hope to do business.

We are,  
Yours faithfully,  
THE MAGNESITE SYNDICATE, LTD.  
(Sd.) G. FINLAYSON,  
Manager.

## THE PIONEER MAGNESIA WORKS.

B.—ORAL.

**Evidence recorded of Mr. B. S. LALKAKA and Mr. M. S. CHUDGAR  
recorded at Bombay on Monday, the 19th November, 1928.**

*Introductory.*

*President.*—There is one point to which I should wish to draw your particular attention in this enquiry namely that we do not propose to go into the general question whether the conditions of the Fiscal Commission are fulfilled by you or not. I think that in the first enquiry we came to the conclusion that the industry was qualified as regards all the conditions except the last one namely whether it could do without protection eventually. So, in your examination I propose as far as possible to confine the questions to elucidating that point. But connected with that question is this allegation that you have made against the German Trust. I see from a perusal of this file that the German Trust apparently made certain proposals to you which you were unable to accept.

*Mr. Lalkaka.*—Yes.

*President.*—Now it is very important that you should furnish the Board with all the correspondence connected with these negotiations with the German Trust. You have undoubtedly shown that it is the object of the German Trust to get at least 70 per cent. of the business in Magnesium Chloride and to give you 30 per cent. only, and if you give them that 70 per cent. of the business they would be willing to raise prices.

*Mr. Lalkaka.*—Yes.

*President.*—Are you willing to put in all the correspondence?

*Mr. Lalkaka.*—Certainly with the greatest pleasure. In fact, there is very little correspondence left out. I can submit the rest to-day if you want.

*President.*—Can we publish it?

*Mr. Lalkaka.*—I have no objection to your publishing it. The only thing is that from their point of view they might consider that we are betraying their confidence.

*President.*—That is for you to consider. After examining you they would be given an opportunity of explaining the points against themselves if they choose to give evidence. But it is for you to consider whether you would let us have this information.

*Mr. Lalkaka.*—Personally I have no objection. I stand by what I have written. I have not made any false statements or wild allegations. I am prepared to place before you all the information we have on that point.

*Dr. Matthai.*—There was no undertaking between you and the other party to keep these documents confidential.

*Mr. Lalkaka.*—No, not in the least.

*President.*—It is a serious position for any Indian industry to find that its powerful rivals are prepared to crush it unless it practically surrenders.

*Mr. Lalkaka.*—Quite so. It would be a case of self-preservation with us.

*President.*—Not only would this information be useful in this magnesium chloride enquiry but I think it would have a bearing also on the other chemicals where competition from Germany is particularly strong.

*Mr. Lalkaka.*—Yes.

*President.*—I shall examine you on this file more to-morrow because my colleague has not had an opportunity of reading it. To-morrow after my

colleague has read it, I will make another statement because it is of very great importance that people should know what allegations are being made against the Trust and what line the Board wishes to adopt in enquiring into them.

*Earlier estimate of costs.*

As I told you earlier, I want to go into this one point mainly. In the first enquiry we found that you would not be able to dispense with protection at any time because you would require a price of Rs. 4-8-0 to give you a fair return. But if we made an allowance for the fact that you sold about one-third of your output at Ahmedabad, the price that you would require would be Rs. 4-4-0.

*Mr. Lalkaka.*—Did we ask for the price to be raised before?

*President.*—That was according to our estimate as regards your future cost.

*Dr. Matthai.*—What we did was to take a figure that you gave namely Rs. 3 to Rs. 3-8-0 as the pre-war price of magnesium chloride delivered at the mills and assuming that as the future price, we tried to see whether your costs would ever come down to the same level. Then, as the President pointed out, the Board in its estimate said that making allowance for the sales at Ahmedabad the utmost reduction that could be effected in your costs would be Rs. 4-4-0.

*Mr. Lalkaka.*—But conditions have materially altered.

*President.*—I am only trying to point out what our estimate was. At that time our estimate of c.i.f. price Bombay was Rs. 3-4-0 and there would be an addition of 8 annas for the product to be delivered at the mill. That would make the price of the foreign product delivered at the mill Rs. 3-12-0, whereas you would require Rs. 4-4-0 and we came to the conclusion that there would always be this difference of 8 annas and therefore you would not be able to do without protection. Now of course your case is that the position has changed. So far as our estimate of the future price was concerned, I don't think that we were very wide of the mark. Taking the price prevalent just now, we made an estimate of Rs. 3-4-0 whereas the actual price is Rs. 2-15-0 delivered at the Mills in Bombay and Rs. 3-10-0 or Rs. 3-11-0 in Ahmedabad.

*Mr. Lalkaka.*—Yes.

*President.*—So that the price is a little lower even than our estimate. And now your case is that even if it drops to Rs. 3-10-0 a cwt., you can very nearly compete.

*Mr. Lalkaka.*—Our cost is shown to be Rs. 3-5-6 for Bombay and Rs. 3 for Ahmedabad.

*President.*—If you take equal quantities?

*Mr. Lalkaka.*—It would be roughly Rs. 3-3-6.

*President.*—That does not leave you any profit?

*Mr. Lalkaka.*—No.

*President.*—Now we have got to add profit to that figure, to get your fair selling price.

*Dr. Matthai.*—I was wondering whether that figure included your profit or not. This figure that you show against interest on capital, that apparently is not merely working capital?

*Mr. Lalkaka.*—We are taking the capital employed all round. Supposing 3,000 tons were manufactured, that means 60,000 cwts. and as I have shown, the actual out of pocket cost is Rs. 2-8-0.

*President.*—This amount that you have shown as working capital, is it the whole capital invested?

*Mr. Lalkaka.*—Yes.

*President.*—At what rate of interest?

*Mr. Lalkaka.*—6 to 6½ per cent.

*President.*—That includes part of the profit? The way we calculate is this. We allow working capital, say, 7 per cent. and then we allow 10 per cent. on fixed capital. In that way we have got to alter the figures.

*Mr. Lalkaka.*—We don't allocate it that way.

*President.*—That is only a small adjustment to be made. We have got to re-estimate really your present and future costs by a comparison of your costs in 1922.

*Mr. Lalkaka.*—I see.

*Present costs.*

*Dr. Matthai.*—I take it very largely that the reduction in costs that you show since 1922 is due to increased output?

*Mr. Lalkaka.*—In the case of charges like overhead, interest and depreciation it would be, but in the other cases conditions of wages and of packing material will also show a reduction. Selling charges too have shown considerable reduction.

*President.*—Selling charges, packing and the freight are the main items really?

*Mr. Lalkaka.*—Yes.

*President.*—As regards your all-in-cost, Rs. 1-2-0 was the manufacturing cost?

*Mr. Lalkaka.*—Yes.

*President.*—The main items were collection and storage of bitters?

*Mr. Lalkaka.*—Yes.

*President.*—In 1922 the actual costs were Rs. 4-11-0?

*Mr. Lalkaka.*—Yes, those have fallen to Rs. 3-6-0.

*President.*—How do you account for it?

*Mr. Lalkaka.*—I suppose labour was higher in those days and probably we have been able to make better arrangements with the labour.

*Dr. Matthai.*—In 1922 when we spoke of the storage and collection of bitters we included in it not merely labour but I believe also the royalty.

*Mr. Lalkaka.*—I don't think so. In that year the royalty might not have been paid. As regards royalty ever since the beginning of 1915 right up to the time when the agreement was revised on a profit sharing basis we used to pay a fixed royalty of Rs. 1-8-0 per cwt. Then after the war when prices came down very low we represented to Government that it was impossible to pay the royalty on a fixed basis and that it should be modified. So the new agreement was made on a profit sharing basis, that is to say that if there was a loss no royalty was to be paid, and if made any profit then we had to pay the royalty on a profit sharing basis. This too led to an anomalous position and further modifications were made in the Agreement with Government.

*Dr. Matthai.*—In 1922 and 1923 when you were making no profit at all no royalty was paid to Government?

*Mr. Lalkaka.*—Quite so.

*Dr. Matthai.*—Since 1923 when you began to produce on a large scale the question of contribution to Government was revised?

*Mr. Lalkaka.*—Yes. There has been a revision again. In 1925 I think we made a profit of Rs. 6,500, and according to our agreement 50 per cent. of it, or Rs. 3,250 only should have gone to Government. Instead of that we actually paid to Government something like Rs. 7,500 which on the face of it, sounds most anomalous.

*Dr. Matthai.*—On what basis was that calculated?

*Mr. Lalkaka.*—The basis was that Government was to allow us all out of pocket charges except interest and income-tax. In lieu of the interest item they allowed 10 per cent. to be added on the charges incurred. In a particular year when the interest charges, for instance, amounted to Rs. 12,000,

10 per cent. of the total expenditure incurred, which was the sum allowed to be charged on this account, only amounted to about Rs. 7,000 with the result that the balance of Rs. 5,000 was taken as profit and equally divided and this went to swell the Government share of the profit. The latest position is that Government now charge a fixed royalty of Re. 1 per ton of magnesium chloride produced, which means about 10 pies per cwt. on magnesium chloride produced and despatched from the works.

*Dr. Matthai.*—So that we may take it that the cost of 1922 on which the Tariff Board based their estimate in the previous report did not include any royalty?

*Mr. Lalkaka.*—That is right.

*President.*—This difference of 1 anna 5 pies in the collection and storage of bitters is actually a saving to you?

*Mr. Lalkaka.*—Yes.

*President.*—In labour charges?

*Mr. Lalkaka.*—Yes.

*President.*—How do you account for that? Have the rates come down?

*Dr. Matthai.*—Do you disburse your wages on a piece work basis?

*Mr. Lalkaka.*—Formerly we used to pay our men on the basis of so many drums of bitters collected and brought to the Factory. This was abolished because of the variations due to the nature of the bitters and the time of collection. Sometimes the quality of the bitters was good and sometimes it was bad and thus there was considerable fluctuation in the quantities brought to the Factory. Sometimes the containers in which the bitters were brought to the Factory might not be efficient and thus there might be some leakage. So instead of that we arranged with the labour that on whatever quantity was utilized and passed out at finished product we should give them 3 annas 6 pies per cwt. on the magnesium chloride manufactured and sent out.

*Dr. Matthai.*—At present you give wages only on production?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—So that in the old days you gave a lot of wages on useless material?

*Mr. Lalkaka.*—Practically it came to that.

*Dr. Matthai.*—Practically that would account for this difference?

*Mr. Lalkaka.*—Yes.

*President.*—In fuel also there is reduction of 2 annas 1 pie. Fuel in 1922 was 7 annas 7 pies, now your firewood charge is 5 annas 6 pies.

*Mr. Lalkaka.*—Yes, there has been a drop in the price of fuel; we get fuel at a lesser price. This is also probably due to more concentrated bitters, that is to say less percentage of moisture in the bitters.

*President.*—How is that?

*Mr. Lalkaka.*—That depends upon the collection time. Formerly we used to start our factory in October or November and had to use bitters discharged during the previous year, as fresh supplies of bitters are not available till the middle of January and when that is available it is in more concentrated form and therefore requires less fuel.

*President.*—That is to say you have changed your method of collecting bitters?

*Mr. Lalkaka.*—Yes.

*President.*—You put off collection for a month or two longer?

*Mr. Lalkaka.*—Four months practically.

*Dr. Matthai.*—When your output was much less, say in 1922 or 1923, you would need a smaller quantity of bitters at the works, and therefore I should have thought that because you required a smaller quantity of bitters



at the works you would take the whole of it in fresh condition from the salt work, would you not? Now you want 8,000 to 9,000 tons of bitterns.

*Mr. Lalkaka.*—About 6,000 to 7,000 tons.

*Dr. Matthai.*—In the old days when you produced about 1,000 tons of magnesium chloride you required about 2,000 to 2,500 tons of bitterns.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—So that when you required a smaller quantity of bittern it would have been possible for you to take the whole of it fresh from the salt works; then why was it that you spread the collection over an unseasonable part of the year?

*President.*—Probably during the war years you were always in a hurry to get as much as you could?

*Mr. Lalkaka.*—In 1922 we had a production of about 1,500 tons. Better arrangement of the flues would also account for the reduction in the fuel consumption.

*Dr. Matthai.*—In any case at present I take it you try to get all the bittern you want from January to June, as far as possible?

*Mr. Lalkaka.*—Yes, unless circumstances are bad.

*Dr. Matthai.*—You are more careful about that now than you were apparently in 1922?

*Mr. Lalkaka.*—Quite so. Then again better furnaces and reduction in the cost of fuel might also account for economy.

*Dr. Matthai.*—Can you give us the rate for firewood?

*Mr. Lalkaka.*—Just now this costs us Rs. 40 per 100 Bengal maunds.

*Dr. Matthai.*—What was the rate in 1922?

*Mr. Lalkaka.*—At a rough calculation it was about Rs. 10 higher, I should think.

*Dr. Matthai.*—As a matter of fact what we say in the previous report is this: "The cost at the works is given as Rs. 35 to Rs. 40 per 50 Bengal maunds".

*Mr. Lalkaka.*—Then it will be much higher than this. That is at the source and to that you have to add Rs. 10 for freight.

*Dr. Matthai.*—That is to say it would be Rs. 50 at the works against Rs. 70 to Rs. 80? How do you account for this very big reduction in fuel?

*Mr. Lalkaka.*—There was the coal control at that time. Immediately after the war it was very difficult to obtain coal. All the Ahmedabad mills were working on firewood.

*President.*—So that the price of firewood must have gone up.

*Mr. Lalkaka.*—Yes.

*President.*—In 1922 the factory charges were given as As. 5-6, but I don't find the details of that item.

*Mr. Lalkaka.*—Do you mean the present costs?

*President.*—1922 costs.

*Dr. Matthai.*—In the first place can you tell us what are the items you include in the factory charges?

*Mr. Lalkaka.*—I will take the present cost given on page 21 of the answers to questionnaire as the basis—Bittern Collection charges.

*Dr. Matthai.*—That would come under the first item. That won't be included. I suggest to you that looking at this statement here, what we called factory charges in our original report were probably the works labour, the repairs and maintenance charges, general services, supervision and probably rents and taxes. All these together would be your factory costs, that is to say items 2, 4, 5 and 7, am I right?

*Mr. Lalkaka.*—What I take as making charges would include the collection, the factory labour and then of course firewood—

	As. P.
Making charges . . . . .	2 0
General services, supervision . . . . .	2 6
Miscellaneous, <i>e.g.</i> , rents, taxes, insurance, travelling expenses, etc. . . . .	0 8

*President.*—What about the current repairs?

*Mr. Lalkaka.*—General services would go under the overhead.

*President.*—We didn't include it under the overhead.

*Dr. Matthai.*—This is a statement that you yourself prepared where you give this item factory charges. What are the various items that you include in the factory charges?

*Mr. Lalkaka.*—In the factory charges we include nothing but purely factory labour, the pay of the Engineer and any other labour employed inside the factory.

*Dr. Matthai.*—If we take the whole of your actual manufacturing costs and deduct from that the cost of collecting bitters and the cost of the firewood, what is left would be factory charges.

*Mr. Lalkaka.*—That would include royalty, the cost of packing and the cost of sending it from the factory to the station. I should call it as As. 4-8 as against As. 5-6.

*Dr. Matthai.*—You get As. 4-8 by taking items No. II, IV and VII.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—Leaving out general services.

*Mr. Lalkaka.*—Yes. I would take general services under the overhead.

*President.*—I take it this way that these factory charges of As. 5-6 include what are now called labour, ordinary current repairs, general services and miscellaneous.

*Mr. Lalkaka.*—I am not sure about the general services.

*President.*—But we have not made any allowance anywhere in report, so this must have been included.

*Mr. Lalkaka.*—On page 7 of the report head office and general charges are shown separately.

*Dr. Matthai.*—What is this item V, As. 2-6, General services, supervision and local office charges.

*Mr. Lalkaka.*—That would be only Kharaghoda establishment.

*President.*—In 1922 the factory charges amounted to As. 5-6 and now it is actually As. 7-2. There is an actual increase.

*Dr. Matthai.*—I should say when you increase your output from 1,000 tons to 2,700 tons, there will be more repairs and so on.

*Mr. Lalkaka.*—Yes. After all our plant is subject to great corrosion because the copper boiling pans would be constantly on the boil. The greater the output the more will be the cost of repairs and renewals.

*Dr. Matthai.*—Has there been any increase in the rate of wages?

*Mr. Lalkaka.*—No. The only explanation that I can give is that in the year 1922 perhaps this item may not have been included at all.

*Dr. Matthai.*—Possibly.

*President.*—Anyhow we must take it that all the charges are included under the heading factory charges. It is quite possible that no allowance was made for repairs and renewals or for general services.

*Mr. Lalkaka.*—It may be that those items may have been taken to the depreciation account at that time. We are confident that the costs have decreased.

*President.*—You said that there was no royalty paid in 1923. There is a royalty of Rs. 14,000.

*Mr. Lalkaka.*—In the year 1922?

*President.*—Yes. That is about As. 8 a cwt. In 1924 you didn't pay any royalty. I do not know where the royalty charges come in.

*Dr. Matthai.*—The figure that you have shown here as royalty paid in 1922 is Rs. 14,800.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—That on your total production of that year works to about As. 8 per cwt.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—At present you are paying how much?

*Mr. Lalkaka.*—Only 10 pies.

*Dr. Matthai.*—If you actually paid at the rate of As. 8 a cwt. in 1923 and you are paying only 10 pies now, straightaway there you have an enormous reduction.

*Mr. Lalkaka.*—It was on a profit sharing arrangement at that time. In our representation, dated 15th August, 1927 we say:—

“ In the year 1922 your petitioners obtained from the Director of Industries, Bombay, a new agreement with the Secretary of State for India in Council for a period of 30 years, under which a profit sharing arrangement between the Government and your petitioners was arrived at. This agreement has however been recently modified to suit the exigencies of the case.”

*President.*—Is this royalty now more or less permanent?

*Mr. Lalkaka.*—It is fixed. The agreement has just been signed.

*President.*—For how many years?

*Mr. Lalkaka.*—It would be about 25 years from now.

*President.*—For 25 years you would be paying only 10 pies.

*Mr. Lalkaka.*—Unless it is modified by circumstances. By mutual arrangement it was lowered. I do not know whether it is open to Government to raise the question.

*President.*—If a royalty of As. 8 was paid by you in 1922, your actual cost would have been much higher than you have taken. Drums and packing you have included here.

*Mr. Lalkaka.*—Yes.

*President.*—Please tell me exactly what a drum costs. How did you arrive at a price of As. 11.

*Mr. Lalkaka.*—I have explained that on page 22 of the answers to the questionnaire.

*President.*—At that time why were your costs so high.

*Mr. Lalkaka.*—In the first place the cost of the sheets was higher.

*President.*—In 1923? Surely not.

*Mr. Lalkaka.*—In 1922 you did not add the figure of royalty in arriving at the cost. If you had added royalty, the cost would have been much higher. So, the question of royalty will not come in here also.

*President.*—Now we are concerned with the future.

*Dr. Matthai.*—It is very difficult to say whether royalty has been included or not. It might have been included in bitters.

*Mr. Lalkaka.*—The cost would explain it. By itself the royalty comes to 8 annas. If the total cost under bitters is less or somewhere about it, it cannot contain royalty.

## Drums.

*President.*—You have not quite explained the question of drums. Why is it that the charges are now so much lower?

*Mr. Lalkaka.*—Packing charges consist of two items. One is the packing material and the other is the packing charge which we pay to the contractor or which we may incur departmentally whatever the case may be.

*President.*—What is the cost of the drum itself?

*Mr. Lalkaka.*—At present it is Rs. 5 to Rs. 5-8-0. At that time as far as I remember it came to about Rs. 7 a drum.

*President.*—What is the life of a drum?

*Mr. Lalkaka.*—Once the material is packed and sent to the mill, we have done with it. The price is included in the rate charged to the mill. The drum is not returned to us.

*President.*—The cost is how much?

*Mr. Lalkaka.*—11 annas per cwt. on the present price.

*President.*—The drum itself costs how much?

*Mr. Lalkaka.*—Between Rs. 5 and Rs. 5-8-0. Each drum contains 7 cwts. of material.

*President.*—Has that drum a second-hand value?

*Mr. Lalkaka.*—I may explain to you in this way. With some of the mills the practice is that they simply tear off the drum bodily and in some others the practice is that they put the drum in a sort of cistern, bore a hole and pass steam through it so as to turn the solid fused stuff into liquid matter.

*President.*—Has the drum got any second-hand value?

*Mr. Lalkaka.*—It has a second-hand value to the user.

*President.*—What is it?

*Mr. Lalkaka.*—They make out of these old drums, tin cans, buckets, and so on. They use it in a variety of ways but it does not pay us to take it back.

*President.*—The foreign magnesium chloride is also packed in drums, is it not?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—Is it of the same kind?

*Mr. Lalkaka.*—It comes in ordinary black iron drums, whereas we use galvanised iron drums.

*Dr. Matthai.*—Somebody said that your drums could be found as scrap in the compounds of mills.

*Mr. Lalkaka.*—That depends on the mills wanting or not to make any further use of those drums.

*President.*—Is the empty drum sold or what?

*Mr. Lalkaka.*—Yes.

*President.*—Can't they remove the lid and use it?

*Mr. Lalkaka.*—It is one solid mass. It has either to be melted by steam or the drum has to be bodily torn.

*President.*—Then, except as scrap it has no value.

*Mr. Lalkaka.*—They can utilise it. For instance in Ahmedabad there are a number of ironsmiths making small vessels out of these empty drums.

*President.*—What would they sell it for?

*Mr. Lalkaka.*—Re. 1 to Rs. 1-8-0 per each drum.

*President.*—Can they get that value?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—Practically it goes as scrap in the bazar.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—You say that for one drum now the price is Rs. 5.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—In 1922 it was slightly higher.

*Mr. Lalkaka.*—It was I believe Rs. 7. The cost of the material was high in those days and secondly we had to pay heavier making charges.

*President.*—Do you make these drums by machinery?

*Mr. Lalkaka.*—Yes, by improvised machinery.

*President.*—Do you rivet it?

*Mr. Lalkaka.*—Yes. When you come to Kharagoda we shall be in a position to show you how the drums are made on the spot.

*President.*—Do you use 26' gauge?

*Mr. Lalkaka.*—Yes.

*President.*—Is it galvanised?

*Mr. Lalkaka.*—Yes, and there is a duty of 30 rupees per ton.

*Dr. Matthai.*—It works out at Re. 0-2-6 per cwt.

*Mr. Lalkaka.*—Yes, on the magnesium chloride.

*President.*—What is the actual cost?

*Mr. Lalkaka.*—The cost of sheets comes to Rs. 3-8-0 to Rs. 4-0-0 per drum. We also pay making charges of about Re. 1-8-0.

*President.*—Per drum?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—So that on the whole it comes to about Rs. 5.

*Mr. Lalkaka.*—Yes.

*President.*—The duty of Rs. 30 per ton works out to how much?

*Mr. Lalkaka.*—It would come to Rs. 1-8 per cwt. The drums are made in Kharagoda.

*President.*—Do you import it direct?

*Mr. Lalkaka.*—Yes.

*President.*—What is the c.i.f. price?

*Mr. Lalkaka.*—£18 to £20 c.i.f. Bombay or Okha.

*President.*—Landing charges would be how much?

*Mr. Lalkaka.*—At Okha, they would be very little but they would be Rs. 6 per ton in Bombay.

*President.*—The duty is calculated on £18 or what?

*Mr. Lalkaka.*—They levy the duty on a tariff valuation of about Rs. 250 or so per ton. What the exact figure is I am not able to say just now.

*Dr. Matthai.*—It comes to nearly 2 annas per cwt.

*Mr. Lalkaka.*—Yes, on the magnesium chloride.

*President.*—The duty would come to about 2 annas. Therefore compared to our estimate there is a reduction of nearly 5 annas. We took the future price as one rupee in that. Now, the actual is Re. 0-11-0.

*Mr. Lalkaka.*—Yes.

*President.*—To that will have to be added the overhead charges.

*Mr. Lalkaka.*—Yes.

*President.*—In 1922, head office and general services came to Re. 0-6-5 and now they have come down to Re. 0-2-0. How do you explain that?

*Mr. Lalkaka.*—Formerly we had to maintain our own office. But now we have made much more economical arrangements. We have found from experience that instead of having to maintain an office of our own and keeping a highly paid salesman, and so on, it pays us better to work in combination with a firm of mill stores dealers, or machinery dealers. By this arrangement, we get an office room, the use of telephone, the services of clerks, etc.

*President.*—With whom are you working now?

*Mr. Lalkaka.*—Up to now, we used to work with Messrs. Vakil & Co., of 18, Rampart Row, Fort Bombay, who were belting representatives of an important American firm. But since the belting agency has now changed hands and has only just been made over to Messrs. Gannon Dunkerley & Co., Ltd., who are big machinery people, we too have made our selling arrangements with them from the 1st of December. We are removing our office to their office where we shall be provided with suitable accommodation and other facilities.

*President.*—For the same charges?

*Mr. Lalkaka.*—Yes.

*President.*—For Rs. 7,500.

*Mr. Lalkaka.*—I should think so. This however includes both Bombay and Ahmedabad. In Ahmedabad we used to have an office of our own but now we have only selling agents there also.

*President.*—Under what head do the salaries of yourself and the works manager come?

*Mr. Lalkaka.*—The Works Manager's salary would necessarily come under general services and my allowance would come under head office establishment.

*President.*—This Rs. 7,500 is the actual.

*Mr. Lalkaka.*—Yes, that is the actual.

#### *Capital.*

*President.*—As regards the interest on capital, what capital have you assumed?

*Mr. Lalkaka.*—The working capital is about Rs. 1,92,000.

*President.*—Not working capital?

*Mr. Lalkaka.*—The total capital employed is Rs. 1,92,000?

*Dr. Matthai.*—In taking the working capital at Rs. 1,92,000 you have included all the overhead charges in it.

*Mr. Lalkaka.*—Yes, we have. You can make any reasonable reduction for that.

*President.*—I hope you have not included your income-tax.

*Mr. Lalkaka.*—No. For the last three years we have not paid any income-tax.

*Dr. Matthai.*—You have included your depreciation, head office and all that in Rs. 1,92,000.

*Mr. Lalkaka.*—Yes.

*President.*—Your capital account is now in round figures Rs. 1,52,000.

*Mr. Lalkaka.*—Yes, that is our fixed capital.

*President.*—In 1922, your capital was Rs. 1,41,000.

*Mr. Lalkaka.*—Yes.

*President.*—Was that after writing down the depreciation?

*Mr. Lalkaka.*—No, that was the original figure.

*President.*—Now it has gone up to Rs. 1,51,000.

*Mr. Lalkaka.*—Yes, practically.

*President.*—The main item of increase is buildings. Have you extended your buildings?

*Mr. Lalkaka.*—I think that it should be under the head of 'plant and machinery'.

*President.*—Plant and machinery are exactly the same Rs. 99,000. So that the only alteration is in buildings. Have you erected any new buildings?

*Mr. Lalkaka.*—Not particularly new buildings.

*President.*—Some small additions you may have made. Supposing you are to build a plant of the same capacity as yours, what do you think it would cost?

*Mr. Lalkaka.*—It could only be a rough guess because we have not invited any estimates.

*President.*—Would you be able to put it up at the same price?

*Mr. Lalkaka.*—We have a motor lorry costing about Rs. 32,000 which has been practically a white elephant to us. It was ordered on the recommendation of the Government experts and practically ever since the date that it has been with us, we have hardly made use of it for more than a month.

*President.*—When did you import it?

*Mr. Lalkaka.*—In 1923, I think. It has practically been discarded. We are making serious efforts to dispose of it but we cannot find any buyer. It is simply lying there and is shown as block value.

*Dr. Matthai.*—What is the value of it?

*Mr. Lalkaka.*—Rs. 32,000. Supposing another man is to build a factory I do not think he will be well advised to order it.

*President.*—What about the plant itself?

*Mr. Lalkaka.*—More or less the cost will be the same. I don't think that there will be any very heavy fluctuations as regards the plant.

*President.*—Do the income-tax people allow you Rs. 7,000?

*Mr. Lalkaka.*—They used to. For instance on the motor lorry they allowed 20 per cent. depreciation. They have a fixed schedule. They have already allowed this for 5 years on the motor lorry and now from this year onwards they will not be allowing us any more depreciation on the lorry.

*President.*—Then, the depreciation on the rest of the plant is only Rs. 5,000.

*Mr. Lalkaka.*—Yes. Out of Rs. 1,51,000 block value, we have already cleared about Rs. 69,000.

*President.*—I am not concerned with that. What we do is that we allow 6½ per cent. depreciation on what we call the replacement value, that is to say on buildings, land and everything. This lorry must go out because you have already written off the value of the lorry. Your plant block value would therefore be Rs. 1,20,000.

*Mr. Lalkaka.*—Yes.

*President.*—It comes to 2 annas a cwt.

*Mr. Lalkaka.*—We have shown here only 3 annas.

*President.*—According to our method, unless you show some very good grounds, we don't allow you more than 6½ per cent.

*Mr. Lalkaka.*—There is heavy depreciation of the copper boiling pans.

*President.*—We allow 6½ per cent. on buildings.

*Mr. Lalkaka.*—The total comes to Rs. 7,200.

*President.*—Rs. 7,200 is a little more than the Income-tax people allow you? I think we must take 6½ per cent. in calculating your future cost and the present cost.

*Mr. Lalkaka.*—Yes.

*President.*—We have generally allowed 10 per cent. on the investment. If we take the block value at Rs. 1,20,000 your profit is Rs. 12,000 or Rs. 4 a ton. That is the usual rate. Of course if you have got any suggestions to make we are prepared to consider it. Up to now we have allowed 10 per cent. in the match industry; I think in the steel industry 10 per cent. on the ordinary shares and on preference shares the actual rate, but the average worked out to 8 per cent. When an industry is protected 10 per cent. is supposed to be a fairly good return.

*Mr. Lalkaka.*—Rs. 1,50,000 is the block value. You deduct the value of the lorry; that makes it Rs. 1,20,000: 10 per cent. on that is Rs. 12,000 and 6½ per cent. depreciation.

*President.*—Yes. Then we have got to add for working capital. On the working capital in the last enquiry we allowed 7 or 7½ per cent.

*Mr. Lalkaka.*—I think 7½ per cent. is reasonable.

#### *Working Capital.*

*President.*—What is the amount of your working capital. How have you calculated it?

*Mr. Lalkaka.*—We have calculated working capital as given in our answer to question 86.

*Dr. Matthai.*—As I pointed out before, I would take overhead charges out of that figure because you don't have to meet depreciation and so on except at stated periods, so that in considering the amount of working finance I take only your production cost Rs. 1-12-0 plus annas 12 railway freight. That gives you Rs. 2-8-0 per cwt. Multiplying that by 60,000 you get working finance of Rs. 1,50,000. After that the point is whether as working finance you require the whole years turnover or six months turnover, or some period of that sort.

*Mr. Lalkaka.*—It is very difficult to say because of indefinite production.

*President.*—You manufacture from January to June; for the remainder of the year you have to carry stocks?

*Mr. Lalkaka.*—Quite right.

*President.*—You will have to carry six months stock.

*Mr. Lalkaka.*—At least six months stock.

*President.*—Stocks would be reduced every month, would it not?

*Mr. Lalkaka.*—Ordinarily yes.

*Dr. Matthai.*—I take it you go on producing from January to June and from June all your production expenses have been met practically.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—Then you are carrying stocks and your stocks will be gradually liquidated, so that 6 to 8 months turnover would meet your financial requirements for the year as a whole.

*Mr. Lalkaka.*—I should think so.

*President.*—Supposing we took 6 or 8 months turnover?

*Mr. Lalkaka.*—If you take it at 8 months I think that would be reasonable, taking the whole amount of Rs. 1,92,000.

*Dr. Matthai.*—As regards railway freight. 12 annas is the amount you incur when you send a consignment to Bombay: when you send to Ahmedabad it would be somewhat lower? If half your consignment goes to Ahmedabad and half to Bombay, the right figure to take would be somewhere about 8 annas?

*Mr. Lalkaka.*—That is exactly what I have taken.

*President.*—The goods won't remain in transit all the time. If you took Rs. 1-12-0—that is the production cost actually—the goods are not in transit for 8 months?

*Mr. Lalkaka.*—No.

*President.*—You would be entitled for 8 months at Rs. 1-12-0, that is the actual production cost—plus a certain amount of allowance for the freight.

*Mr. Lalkaka.*—Then there are commission charges, head office charges. These will have to be met from month to month.

*President.*—Supposing we took a figure of about Rs. 2-8-0 and made allowance on an average of 8 annas for freight and we took Rs. 3 on 8 months turnover, that would be Rs. 1,20,000. I am of course not committing myself to any figure.



*Dr. Matthai.*—From 1,20,000 to Rs. 1,50,000, would be a fair estimate, would it not?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—7½ per cent. on that gives you 2 annas a cwt. and the other items 2 annas, so that interest on working capital and profit taken together come to 4 annas instead of 3 annas that you suggest, but the depreciation has been cut down by one anna. Your figure remains the same. I am just explaining to you the effect.

*Mr. Lalkaka.*—For a business concern this is a very small return.

*Dr. Matthai.*—In the case of a protected industry we have so far allowed 10 per cent. If you have any suggestions to make we are prepared to consider it. Once we raise it in one industry we cannot deny it to other industries. But even if we raised it to 15 per cent. it would not mean a great difference to you.

#### *Selling charges.*

*President.*—Then as regards the selling charges, in the first report you gave a very big figure. We took about 10 annas 8 pies last time.

*Mr. Lalkaka.*—The actual amount spent was necessarily taken as the figure.

*President.*—In the future estimate we have assumed 10 annas 8 pies. That you have brought down to 2 annas.

*Mr. Lalkaka.*—I would explain it. It happened in two ways. In the first place there was double handling at that time. We are trying to avoid that as far as possible. We are collecting a number of orders if that is possible and distribute the deliveries from the station itself instead of sending the goods to the godown in the first instance and then sending again to the mills.

*Dr. Matthai.*—You send it in full wagon loads as far as possible?

*Mr. Lalkaka.*—We always get it in wagon loads from Kharaghoda. A wagon takes about 60 drums. If there is no order in hand these 60 drums must necessarily go to the godown. We have got to incur the first handling charges. We have got to send it again to the mills. That means double handling charges.

*Dr. Matthai.*—Practically it comes to this that instead of stocking the goods in Bombay you stock them in Kharaghoda?

*Mr. Lalkaka.*—We always maintain in stocks in Kharaghoda, but we must have some stocks in Bombay and Ahmedabad also.

*President.*—I am talking of the selling charges.

*Mr. Lalkaka.*—Messrs. H. M. Mehta & Co., were our selling agents at that time and used to get 10 per cent. commission on the sales. At that time the rates realized were higher. On a lower realization just now we only allow about 5 per cent. on an average.

*President.*—That would account for half the difference—the prices being low?

*Mr. Lalkaka.*—Exactly.

*President.*—Do you allow that on the actual selling price?

*Mr. Lalkaka.*—On nett realization.

*Dr. Matthai.*—Was that your practice before?

*Mr. Lalkaka.*—Yes, 10 per cent. on nett realization.

*Dr. Matthai.*—It is 5 per cent. on nett realization now?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—That is to say a lower percentage on a lower rate of realization?

*Mr. Lalkaka.*—Yes.

*President.*—That figure may be accepted as correct now?

*Mr. Lalkaka.*—I should think so.

*President.*—That really means that it leaves the figure more or less the same, namely Rs. 2-8-0. We shall consider whether we should allow you a higher rate of profit or not. Another big item is handling?

*Mr. Lalkaka.*—Yes.

*President.*—Your handling charges to the Bombay mills is 5 annas, I mean handling to godown from the railway siding and from godown to mills. In the case of Ahmedabad it is also 5 annas.

*Mr. Lalkaka.*—Yes.

*President.*—Including terminal tax?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—You expect a terminal tax in Bombay?

*Mr. Lalkaka.*—There is a proposal before the municipality.

*President.*—What sort of tax do you expect?

*Mr. Lalkaka.*—I should think more or less on the same basis as in Ahmedabad, 2 annas a maund or  $1\frac{1}{2}$  annas a maund.

*President.*—Town duties are not leviable on imports, are they?

*Mr. Lalkaka.*—I should think it would be more or less internal. They collect it through the railways.

*Dr. Matthai.*—That is very unfair as far as you are concerned.

*Mr. Lalkaka.*—It is.

*President.*—That charge of 8 annas 2 pies per transport and handling was a big item before?

*Mr. Lalkaka.*—Yes, as I say.

*President.*—The removal of this difficulty of double handling enables you . . . . .

*Mr. Lalkaka.*—And secondly better arrangement with the contractor. Now we have a sort of forwarding contractor and to him we pay so much per drum because the drums are of uniform weight, and unless a mill is particularly very far we give a uniform rate—so much from the station siding to the godown, so much from the godown to the mill or from the railway siding to the mill and so on.

*President.*—This is about the average cost?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—When you consign to these big mills here if you send a full wagon load, do they take the wagon to their siding to avoid double handling?

*Mr. Lalkaka.*—Nobody takes that way. We have tried a number of times to supply wagon loads but they don't want to take more than what is absolutely necessary. They naturally don't care to maintain stocks and they simply take so many drums every month, to cover only their bare requirements.

*Dr. Matthai.*—So the way in which you brought down your costs at present is that you wait until you have collected enough indents to send a consignment from Kharaghoda which can be readily absorbed by the mills.

*Mr. Lalkaka.*—Yes, to distribute directly from the station without taking the stuff to the godown. We have to maintain a minimum stock.

*Dr. Matthai.*—You have to maintain a certain amount of stock, but a very considerable amount could be reduced.

*Mr. Lalkaka.*—That is right. That happens to be the case, because of better selling arrangements. Formerly there was no representative like myself sitting in Bombay. Here I am on the spot and I am looking after the sales. Besides our selling agents Gannon Dunderley and Company, Limited, also have got a big organisation, and necessarily things are economised better now.

*Dr. Matthai.*—In answer to question 76, you have given the railway freight to Bombay as As. 8-6. I think in the last enquiry you told the Board

that it was a special rate granted to you for a temporary period of six months.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—That has continued?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—Is that going to be a permanent rate?

*Mr. Lalkaka.*—Yes. Formerly before the special rates came into operation, the freight rates were on a higher basis. Necessarily the sales suffered on account of competition from Germany. Therefore we wrote to the railway and proved to them that railway freights were very high, competition was very keen and unless they thought it fit to maintain their rates at a particular level, we would not be in a position to compete.

*President.*—So that fair selling price is Rs. 3-5-6 and not Rs. 3.

*Mr. Lalkaka.*—Without any margin of profit.

*President.*—Now you have included that.

*Mr. Lalkaka.*—Yes, according to your calculation.

*President.*—If we take the average price half and half, it would be about Rs. 3-4-0.

*Mr. Lalkaka.*—Yes.

#### *Freights.*

*Dr. Matthai.*—I take it that the advantage in freight that you used to have three or four years ago over imports at Ahmedabad has practically disappeared with the appearance of Okha as a port?

*Mr. Lalkaka.*—Exactly, because it was dearer for the mills to import from Bombay than from Okha.

*Dr. Matthai.*—Now what they do in Ahmedabad is to import it from Okha.

*Mr. Lalkaka.*—Yes, every ton of it.

*Dr. Matthai.*—Practically as far as you are concerned Bombay and Ahmedabad are on the same footing.

*Mr. Lalkaka.*—How do you mean?

*Dr. Matthai.*—What I mean is this: in the old days as far as Bombay was concerned, you incurred a freight expenditure of about As. 12, is not that so?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—And as far as Ahmedabad was concerned, your freight expenditure was somewhere about As. 4.

*Mr. Lalkaka.*—Yes. As far as Bombay was concerned, they have given a rate of As. 8-6.

*Dr. Matthai.*—I was thinking of the days before the concession was granted. While you spend As. 4 at Ahmedabad, the importer has to spend As. 8?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—There you have an advantage of As. 4. If he is importing *via* Okha, I expect he would incur between Okha and Ahmedabad what you incur between Kharaghoda and Ahmedabad.

*President.*—What would be the freight between Okha and Ahmedabad?

*Mr. Lalkaka.*—As. 8-10 per Bengal maund. That will be about As. 12-6.

*President.*—So that it is cheaper to import it from Bombay.

*Mr. Lalkaka.*—To import from Bombay to Ahmedabad it costs about Rs. 1-6-0 per maund.

*President.*—You get a more favourable rate than the importer.

*Mr. Lalkaka.*—To that extent that is so.

*President.*—Formerly you would have to spend, how much?

*Mr. Lalkaka.*—Nearly Rs. 1-4-0. Besides, the advantage in the case of the foreigners is that this special rate applies to a wagon load only. If you were to send in small lots, the freight would necessarily be on a par with what it costs for the German stuff. Here we arrange our deliveries in such a way that we will never take less than a wagon load.

*President.*—Why don't the Germans do it?

*Mr. Lalkaka.*—It is very difficult for the dealers to regulate their deliveries in that way. The mills do not wish to be saddled with more than they can assume at a particular time. Here the business is concentrated in one hand. Our Company sends many wagons every year. In the case of Germany there are half dozen importers.

*President.*—I thought that all the German imports were in the hands of Messrs. Havelo Trading Company.

*Mr. Lalkaka.*—No, they are not doing business in magnesium chloride.

*Dr. Matthai.*—There can't really be a division of business among half a dozen importers.

*Mr. Lalkaka.*—As a matter of fact it is so.

*Dr. Matthai.*—The import of magnesium chloride is very little compared with what it was three or four years ago.

*Mr. Lalkaka.*—But still 40 or 50 per cent. is coming out.

*President.*—The whole point is this: supposing the German competition was eliminated, the total market that you can get is about 5,000 tons.

*Mr. Lalkaka.*—That is for textiles only.

*President.*—Is there any other market?

#### *Magnesia Cement.*

*Mr. Lalkaka.*—Another important factor has come to my notice which was not available at the time I furnished you this statement and that was that I have been assured on good authority that about 4,000 tons of magnesium chloride is imported into India by the railways under the head of flooring composition. It is not termed magnesium chloride and of this I had absolutely no knowledge.

*Dr. Matthai.*—For making cement.

*Mr. Lalkaka.*—For making magnesia cement to be used in conjunction with flooring composition.

*President.*—For bath rooms and railway carriages.

*Mr. Lalkaka.*—Yes. In fact we have supplied half a dozen wagons to Moghalpura for North Western Railway Workshops. That is of a different quality. This is fused chloride and that is crystal chloride. We also make two qualities. For the flooring composition it is absolutely of a different kind.

*President.*—Which is the more expensive to manufacture?

*Mr. Lalkaka.*—Crystal is more expensive, because of the packing. Solid fused chloride when packed in a drum would contain 7 cwts. whereas the crystal would contain about half the quantity in the same drum because of the loose space.

*President.*—Does crystals cost more to manufacture?

*Mr. Lalkaka.*—No, I should not think so.

*Dr. Matthai.*—When you convey fused chloride, you would have to have more drums.

*Mr. Lalkaka.*—Half the number of drums.

*Dr. Matthai.*—So that the packing charges on crystals would be higher.

*Mr. Lalkaka.*—Yes, higher in two ways. One is because we are obliged to make much more sound drums than for packing the fused stuff. The fused stuff can be packed in 26" gauge drums whereas for the crystal stuff

we would have to use 24" gauge and it should be of a much better type to stand wear and tear; otherwise the whole material runs out.

*Dr. Matthai.*—As far as you are concerned, there is no difficulty about supplying crystals that the railways require.

*Mr. Lalkaka.*—No.

*Dr. Matthai.*—The only question is that you have got to incur a little more expenditure in the way of packing.

*Mr. Lalkaka.*—Yes.

*President.*—Where is the other crystal imported from?

*Mr. Lalkaka.*—From Germany.

*President.*—The figures do not show.

*Mr. Lalkaka.*—It does not come in as magnesium chloride.

*President.*—Which railway is importing them?

*Mr. Lalkaka.*—The North Western Railway Workshops at Moghalpura got 6 wagon loads from us.

*President.*—That is how many tons?

*Mr. Lalkaka.*—That is about 100 tons.

*President.*—How do you estimate 4,000 tons?

*Mr. Lalkaka.*—That is my information. I am not in a position to vouch for the truth of it. I think it is a matter worth investigating, because that would show that it has an expanding market.

*Available market.*

*President.*—Supposing we leave that out for the moment, the total market is estimated at 5,000 tons of which you supply 3,000 tons already, there is a market for 2,000 tons.

*Mr. Lalkaka.*—Yes.

*President.*—If the Okha Salt Works also start making this, would it be possible to increase your output?

*Mr. Lalkaka.*—As I have explained we have come to a working understanding.

*President.*—You would manufacture some magnesium chloride at Kharaghoda and some at Okha. Therefore you would have to have two plants working. My suggestion is that you cannot bring down the cost by increased production, because you have two plants working.

*Mr. Lalkaka.*—The only point would be that for Bombay it would be cheaper to bring it from Okha than from Kharaghoda.

*President.*—What would be the freight?

*Mr. Lalkaka.*—It is Rs. 6-4-0 per ton or As. 5 per cwt.

*President.*—Against As. 8-6.

*Mr. Lalkaka.*—Yes.

*President.*—The other charges I take it, would remain the same.

*Mr. Lalkaka.*—Perhaps there would be a little change.

*President.*—You will have to pay dock dues.

*Mr. Lalkaka.*—Yes.

*President.*—The other charges will pretty nearly come to the same thing.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—The only item on which you can make a reduction is the railway freight from Kharaghoda to Okha.

*Mr. Lalkaka.*—No. From Okha it would come by sea to Bombay.

*Dr. Matthai.*—You expect a saving of 2 to 3 annas per cwt.

*Mr. Lalkaka.*—Yes. Apart from the saving of freight, we can effect some saving in manufacture at Okha under the present arrangement. In

Kharaghoda we have to incur the bittern collection charges of As. 3-6. The distance from the salt pans where you collect the bitterns to our works is about 8 to 10 miles. At Okha the works are so designed that bitterns of standard purity would be actually given to us at the mouth of the factory ready to be pumped.

*President.*—Then you have to reduce your production in Kharaghoda.

*Mr. Lalkaka.*—Yes, but there is one-third demand already at Ahmedabad as I have explained.

*President.*—You are now manufacturing 3,000 tons.

*Mr. Lalkaka.*—Yes.

*President.*—At Ahmedabad the demand according to your statement is 1,750.

*Mr. Lalkaka.*—Yes.

*President.*—In Guzerat and the rest of India the demand is 750.

*Mr. Lalkaka.*—You may take it that about 2,000 tons would be produced at Kharaghoda.

*President.*—You will have to reduce your production from 3,000 tons to 2,000 tons.

*Mr. Lalkaka.*—Yes.

*President.*—Then your cost will go up.

*Mr. Lalkaka.*—The production cost would not go up, but depreciation and interest charges would go up.

*Dr. Matthai.*—As far as the collection of bitterns and packing charges are concerned the cost would be the same on the quantity that you manufacture except the overhead charges and depreciation.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—What is your arrangement with the Okha Salt Works?

*Mr. Lalkaka.*—I have supplied you with a copy of the agreement.

*Dr. Matthai.*—Is the arrangement this that you are bound to take the bitterns?

*Mr. Lalkaka.*—Only 1,000 tons. There is a minimum guarantee of 1,000 tons.

*Dr. Matthai.*—You are bound to take the minimum and you are bound to convert that into magnesium chloride.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—When are you going to start operations at Okha?

*Mr. Lalkaka.*—About the beginning of 1930.

*Dr. Matthai.*—I suppose labour charges and fuel charges would be higher in Okha than in Kharaghoda.

*Mr. Lalkaka.*—Fuel charges are estimated to be lower in Okha, because it would be designed to use coal according to an up-to-date plant we have ordered from Europe.

*Dr. Matthai.*—What about labour?

*Mr. Lalkaka.*—Labour would be just the same, I take it.

*Dr. Matthai.*—In a busier place like Okha you may have to pay more in the shape of wages.

*Mr. Lalkaka.*—There too they have to employ a large labour force in the salt works. In fact our labour cost would be very small. Practically we would be spending nothing on labour.

*President.*—Now I want to ask you a few general questions. You manufacture salt at the same time for Government.

*Mr. Lalkaka.*—Yes.

*President.*—Do you use the same plant?

*Mr. Lalkaka.*—No, it is a different plant altogether.

*President.*—First of all you manufacture salt.

*Mr. Lalkaka.*—Government manufactures the crude salt. Crude salt as it is consists of big crystals.

*President.*—What I want to know is you don't make the crude salt.

*Mr. Lalkaka.*—Government make it departmentally. We buy it from Government and we turn it into white salt.

*President.*—By recrystallisation.

*Mr. Lalkaka.*—Yes, there is a boiling process.

#### *Manufacture in Germany.*

*President.*—I have seen Mr. Kapilram's report. From that you can give me extracts of the process of manufacture employed in Germany.

*Mr. Lalkaka.*—I think he has mentioned it.

*President.*—You want that to be treated as confidential.

*Mr. Lalkaka.*—Not the report.

*President.*—In the first enquiry we reported accepting your opinion that magnesium chloride was a by-product. It is not any more a by-product than yours is.

*Mr. Lalkaka.*—It has got to be manufactured in the same way, but from a different raw material.

*President.*—We further said that in any case magnesium chloride has to be manufactured after other salts are taken out. They can throw away the liquor unless they find they can make a profit.

*Mr. Lalkaka.*—It is this way in Kharaghoda. The original substance manufactured is salt. After deepavali (Diwali) they begin to put the pans in order and then they put the brine into the pans and allow it to evaporate for a period of 6 to 8 weeks, and then incrustations of salt are formed at the bottom and the floating mother liquor is drained away. In Germany they have carnallite which is a double compound of potassium chloride and potassium iodide and magnesium chloride. After taking off the other products, the residual stuff has got to be manufactured into magnesium chloride according to Mr. K. Vakil more or less in the same way.

*President.*—Can you refer us to any text books.

*Mr. Lalkaka.*—Mr. Kapilram Vakil is the best person to advise you on that point.

*President.*—I gather that the German mother liquor contains about 35 per cent. of magnesium chloride.

*Mr. Chudgar.*—Yes.

*President.*—What is the percentage of magnesium chloride in your mother liquor?

*Mr. Chudgar.*—About 33 per cent.

*President.*—Therefore the process of manufacture must be about the same in both cases.

*Mr. Chudgar.*—Yes.

*President.*—Assuming that fuel and labour are the same?

*Mr. Chudgar.*—Yes.

*President.*—That is to say they will have to have the same sort of boilers.

*Mr. Chudgar.*—Yes. Practically the process is the same.

*President.*—We will examine you to-morrow about foreign prices and the negotiations with Messrs. Havero Trading Company.

## THE PIONEER MAGNESIA WORKS.

B.—ORAL.

Continued on Tuesday the 20th November, 1928.

*Foreign competition.*

*President.*—We want to go into the question of foreign competition this morning. You have alleged that there is this German Chemical Trust operating in India and your suggestion is that their object is to get hold of practically the whole business in magnesium chloride.

*Mr. Lalkaka.*—Yes.

*President.*—You have produced certain documents which show that they offered to give you 30 per cent. of the business and retain for themselves 70 per cent.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—Their first offer was 25 per cent. but as a matter of mercy it was raised to 30 per cent.

*Mr. Lalkaka.*—Yes.

*President.*—They suggested that if this offer was not accepted they would enter into very fierce competition against you.

*Mr. Lalkaka.*—Quite so.

*President.*—That is their policy apparently as regards the capture of foreign markets. That is what was stated to you by them.

*Mr. Lalkaka.*—Yes.

*President.*—The negotiations fell through because you would not agree to 30 per cent. Is that right?

*Mr. Lalkaka.*—Quite right.

*Dr. Matthai.*—You were prepared to accept fifty—fifty.

*Mr. Lalkaka.*—It is too much to say that I was prepared to accept it. Surely I was willing to enter into negotiations subject to consultation with my partner who was at that time in England and also subject to confirmation of the Government of India with whom we were under royalty obligations.

*President.*—Then, as the negotiations fell through, the price of magnesium chloride was I understand further reduced by £1 per ton in Bombay.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—At the time when these negotiations were being carried on the price was Rs. 4-19-0 a ton in Bombay, and £3-19-0 in upcountry places.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—In May 1927 when the negotiations began those were the prices.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—When did they arrange to make the price £3-19-0 both in Bombay and in upcountry places?

*Mr. Lalkaka.*—Since August this year.

*Dr. Matthai.*—That is to say, the negotiations fell through in December, 1927 and from December 1927 to August 1928 the prices were £4-19-0 in Bombay and £3-19-0 in other places.

*Mr. Lalkaka.*—Yes, but then since April last there was this general strike for about six months in Bombay.

*President.*—The point is that if these negotiations had gone through, then the price that was going to be fixed was Rs. 5-4-0 per cwt.

*Mr. Lalkaka.*—That was their suggestion.



*Dr. Matthai.*—I take it that their original suggestion was Rs. 4-4-0 per cwt., but apparently in accordance with a suggestion that you made it was subsequently raised to Rs. 5-4-0 per cwt.

*Mr. Lalkaka.*—Bombay is the principal market and they have simply to bring the stuff and dump it. They don't have to pay any railway freight whereas we have to bring it from Kharaghoda. If a uniform rate were applied, it would hit us unfavourably.

*Dr. Matthai.*—In order to meet your difficulties in Bombay the price was fixed at Rs. 5-4-0 per cwt.

*Mr. Lalkaka.*—That would be more favourable to them.

*Dr. Matthai.*—It would save you from losses and it would be more profitable for them.

*Mr. Lalkaka.*—Yes.

*President.*—Then the position would be this. The inference that one might draw is that if there was no magnesium chloride industry in the country, the price of magnesium chloride would be fixed at Rs. 5-4-0 instead of at Rs. 3 as it is now in Bombay.

*Mr. Lalkaka.*—It is less than Rs. 3 at the present moment.

*President.*—It may be even higher than Rs. 5-4-0 if there is no industry in India.

*Mr. Lalkaka.*—The English price is—Rs. 9-8-0—according to the latest Customs Returns for October 1928 on an import of 6 tons from the United Kingdom.

*President.*—Who imported it?

*Mr. Lalkaka.*—Some merchants must have imported it.

*President.*—The c.i.f. price British port is between £6 and £6-5-0.

*Mr. Lalkaka.*—Yes.

*President.*—Therefore they would ordinarily charge in India a price which would be the equivalent of £6-5-0 in Great Britain.

*Mr. Lalkaka.*—Quite so.

*Dr. Matthai.*—There is no local production of magnesium chloride in the United Kingdom.

*Mr. Lalkaka.*—I suppose there would be but not on a sufficiently large scale or on an economic scale.

*Dr. Matthai.*—Is there a considerable production of magnesium chloride in the United Kingdom?

*Mr. Lalkaka.*—I am not aware of that. Great Britain always imports her supplies from Germany.

*Dr. Matthai.*—From the price list that you have given it appears that the prices in the United Kingdom, Australia and America are much higher than the Indian prices.

*Mr. Lalkaka.*—Quite so.

*Dr. Matthai.*—The Indian prices are so low at present largely because of competition with a local industry.

*Mr. Lalkaka.*—Quite so.

*Dr. Matthai.*—Therefore as the President put it to you, if there were no local industry, the possibility is that prices in India would be not merely Rs. 5-4-0 as suggested in the contract but might be considerably higher than that.

*Mr. Lalkaka.*—Might be.

*President.*—These facts, if proved, would have a very far reaching effect because they not only throw a great deal of light on magnesium chloride but upon the whole policy of the trust. If it is the case that they want to strangle an Indian industry and obtain a monopoly and then raise prices above what would be considered economic prices in this country if that industry was in existence, it would be disastrous if any country allowed

that state of affairs to continue without taking some steps to safeguard itself against it. We have been in communication with the representatives of the German Trust and we hope that they would consider it of some importance to appear before this Board and state their point of view. Of course we have no power to compel them to appear before us if they do not, but then obviously the Board cannot do anything else than accept your statement as if it has been proved. As I say, the inference is that their activities would not necessarily be confined to magnesium chloride but that they may be extended to other articles in which both the German Trust and the Indian industries are interested.

*Dr. Matthai.*—I suppose this trust is also interested in epsom salts.

*Mr. Lalkaka.*—This is a magnesium chloride syndicate by itself.

*Dr. Matthai.*—Is it connected with the other syndicate?

*Mr. Lalkaka.*—It is connected with I. G. F. but the Magnesium Chloride Syndicate is not to my knowledge dealing in other chemicals.

*President.*—This syndicate is a subsidiary of the other syndicate, known as I. G. F.

*Mr. Lalkaka.*—I believe so but I am not sure of that.

*President.*—Until the representatives of I. G. F. appear before us, we shall not be in a position to judge. But this is plain that Messrs. Havelo Trading Company are the representatives of I. G. F. as well as of this magnesium chloride syndicate. To that extent at any rate the two organisations seem to be connected. I think I may point out that so far as this Board is concerned it always takes an economic view of these organisations and these trusts but when the object is as really in this case that an industry which is being carried on in a foreign country comes here merely as a selling agency and makes an attempt to destroy the existing industry then the position is somewhat serious.

*Dr. Matthai.*—There is a small point that occurred to me. I understand that the actual proposals of Messrs. Havelo Trading Company were placed before you about the middle of September.

*Mr. Lalkaka.*—The negotiations began in May.

*Dr. Matthai.*—But the actual proposals of the magnesium chloride syndicate were communicated to you about the middle of September 1927. It was about the middle of September that Government announced their policy of removing the duty on magnesium chloride.

*Mr. Lalkaka.*—Probably, but the duty was removed from 1st October 1927.

*Dr. Matthai.*—I notice from the correspondence that you have placed before us that the attitude of the Havelo Trading Company stiffened about September.

*Mr. Lalkaka.*—Yes. In fact that is what I have specifically mentioned in one place. Their representative remarked "You are doomed because the 15 per cent. duty has been taken off". I told him that it was going to hit us very hard and we have applied to Government for protection. He charged me for going to the Tariff Board for protection. I did not deny that we had done so and told him that we had a fair case and that we were compelled to go to the Tariff Board for self-preservation. In fact that conversation has taken place as reported by me. Then he asked me what difference this 15 per cent. duty was going to make. I told him that it meant 10 annas 6 pies per cwt. on the then prevailing price.

*Dr. Matthai.*—I was looking at the prices of magnesium chloride as given in the trade returns. I find that the average figure in 1927-28 was somewhere about Rs. 3-12 a cwt.; the average from April to August 1928 was a little over Rs. 4. In August it was a little over Rs. 5. If these figures are correct, then it looks to me that when the duty was removed by Government the benefit of it did not apparently go to the consumer but went to the producer!

*President.*—I take it that we can make such use as we like of this file? It is public property now?

*Mr. Lalkaka.*—Yes. Would it be returned to me?

*President.*—Yes. After it has been copied and printed, but the press can have access to it if it likes. We will publish such of the letters as will enable any reader to follow what actually took place. I would like to ask you a few questions. You have made here notes of two interviews. Did you make the notes immediately after the interview?

*Mr. Lalkaka.*—Practically: after a day or two.

*President.*—And the others are merely letters exchanged between yourself and the Haverø Trading Company?

*Mr. Lalkaka.*—Yes. In fact my letter was written in reply to their letter, and there is that mark of the Haverø Trading Company. The gist of the interview is written by me in my first letter which bears their stamp.

*President.*—You had an interview with Mr. Fuchsmann?

*Mr. Lalkaka.*—Yes.

*President.*—He is the head of the Haverø Trading Company who are agents of the I. G. F.?

*Mr. Lalkaka.*—Yes. He went so far as to say that if we did not modify the statement made in my letter or take back my letter he would make a categorical denial of the whole thing. After my first letter was returned by him he told me "What do you mean by writing a letter like this? Do you expect me to send it home to my people? I would request you to take back the letter otherwise the only alternative before me is to make a categorical denial of the whole thing". This he said in the presence of an American friend of mine whom I can produce if the Board likes.

*President.*—I will point out the importance of this correspondence being placed in the possession of the Tariff Board. Up to now in this industry as well as in other industries allegations have been made against the operation of foreign trusts, but we can say that this is the first time that we have been able to secure documentary evidence which throws a flood of light on the methods of Trusts. From that point of view I think you have done a service by assisting the Board and laying these materials before us because we are prepared to investigate the matter, and, as I have said, we shall give every opportunity to Mr. Fuchsmann or to the Haverø Trading Company or to the I. G. F. to appear before us and state their case. We have also written to the Imperial Chemicals who are represented by Messrs. Brunner Mond & Co., and we hope that they would also see the advisability of coming forward to put their aspect of the case, because it is of very great public importance for the Board to find out whether there are any trusts operating in this country to the prejudice of Indian industries, not only of Indian industries but of the consumer in the long run because when competition ceases and they obtain a monopoly there is no guarantee that the consumer will continue to benefit, at any rate to the same extent as now. We will take up the import prices now.

*Dr. Matthai.*—There is one point I want to be clear about as regards the costs. The figures that you give here in your replies to the questionnaire, are they supposed to be the costs of August 1928?

*Mr. Lalkaka.*—The whole of 1927 and 1928. Of course in 1928 we manufactured up to June 1928.

*Dr. Matthai.*—My difficulty is this. In the statement that you gave us when we examined your costs and tried to fix what was your reasonable cost, generally we took the latest costs. Now, the latest costs here are the costs for January to June 1928, but it may be misleading to take this figure because while you have practically finished your production for the year and therefore costs to the extent of materials labour and so on have been incurred, you show here only half your disbursements, overheads and so on. Therefore I take it the fair thing would be to take your direct

costs for 1928, that is materials, labour and so on incurred at the factory in June 1928, and the overhead charges for 1927.

*Mr. Lalkaka.*—There will be no material change. That will be all right.

*Increase in capacity.*

*Dr. Matthai.*—What is supposed to be the capacity of the by-product plant that you are setting up at Okha?

*Mr. Lalkaka.*—This is a complete scheme for the by-product plant which I received only yesterday (handed in). In it the Kharaghoda production is calculated at 3,000 tons in addition to a production of 4,000 tons at Okha.

*Dr. Matthai.*—In answer to question 5 you say “we can easily turn out up to 6,000 tons of magnesium chloride”.

*Mr. Lalkaka.*—That would be on our present plant if we were to work all the year round.

*Dr. Matthai.*—Supposing you collected all your bittern as you do now in about six months and confined your production practically to the bittern collected during the first six months of the year then your capacity at Kharaghoda would be really 3,000 tons?

*Mr. Lalkaka.*—Yes.

*Mr. Chudgar.*—We have a series of 17 pans just now. Supposing we wanted to take out within the bittern collection period double the quantity we have only to make an addition to the pans. Even by storing bittern we can work all the year round.

*Dr. Matthai.*—With these pans you can bring up the capacity to 6,000 tons.

*Mr. Chudgar.*—Yes. We can store up the bittern in our factory.

*Mr. Lalkaka.*—The difficulty is that the salt pans are exposed to the elements: there are heavy dust storms and heavy floods so that they are all wasted out or become muddy and all the available deposit is thus lost. But supposing we were to make storage arrangements—we would have well cemented storage tanks and some sort of arrangement whereby the bittern could be preserved—we would then have no difficulty.

*Dr. Matthai.*—If you are able to have all the bittern as they are let off from the pans at the Government salt works and convey them immediately to Kharaghoda and make storage arrangements there, then there would be no difficulty about producing magnesium chloride all the year round and that would increase your capacity to 6,000 tons in addition to the 4,000 tons at Okha when the new plant is set up. Is that the position?

*Mr. Lalkaka.*—Yes, if we want to take out so much, if not we will have a smaller plant at one or the other place.

*Dr. Matthai.*—In any case according to your arrangements with the Okha Salt Works you have got to take 1,000 tons of bittern and that would yield about 400 tons of magnesium chloride, would it not?

*Mr. Lalkaka.*—About 500 tons.

*Dr. Matthai.*—The present market in India is about 4,500 tons.

*Mr. Lalkaka.*—About that.

*Dr. Matthai.*—So that without extending your plant at Kharaghoda you have a capacity of 3,000 tons and this additional capacity of 500 tons at Okha makes it 3,500 tons against the total market in India of 4,500 tons.

*Mr. Lalkaka.*—We will not be confining ourselves to the minimum quantity at Okha because it would be more economical to produce on a larger scale.

*Dr. Matthai.*—The point I am really suggesting is that when you have attained the development you are contemplating, then it looks to me that your future will depend increasingly on your finding an export market?

*Mr. Lalkaka.*—Yes, and, as I said yesterday, we are calculating on an additional demand from the tile factories and the railways.

*President.*—What do the railways want it for?

*Mr. Lalkaka.*—I think for flooring composition.

*Foreign prices.*

*President.*—As regards foreign prices can you give us the foreign prices? We want to see how the prices have fluctuated since we last reported.

*Mr. Lalkaka.*—I have put in a statement bringing the imports quite up to date. I have prepared a comparative statement of foreign magnesium chloride imported into Bombay and the Kharaghoda sale figures from 1914 right up to 1927. (Handed in.)

*President.*—This statement you have taken from the Customs Returns.

*Mr. Lalkaka.*—Yes.

*President.*—The trouble is that some of them may be imported from Great Britain.

*Mr. Lalkaka.*—Imports from Great Britain are shown separately.

*Dr. Matthai.*—These average c.i.f. prices that you have given, are they for German imports or have you taken all the imports into account.

*Mr. Lalkaka.*—Supposing 3,000 tons are imported altogether, the quantity imported from other countries is hardly about 100 tons. It is negligible. I have got the originals showing the different imports if you like to see them.

*President.*—From January to June, 1927 the average c.i.f. price per cwt. of magnesium chloride is Rs. 3-10-6.

*Mr. Lalkaka.*—Yes on the basis of £4-19-0.

*President.*—Now it is £3-19-0.

*Mr. Lalkaka.*—Therefore the price has fallen by about As. 10 roughly.

*Dr. Matthai.*—Taking the 1927 figures and comparing them with the present, in between the two there was a period, judging by the trade figures, when prices were higher.

*Mr. Lalkaka.*—Might have been higher.

*President.*—We may take it this price of £3-19-0 that you have given is the final price.

*Mr. Lalkaka.*—That is the latest.

*President.*—In answer to question 46 you say: "Imported magnesium chloride costs, as per our rivals' latest price-circulars (copies enclosed) as under".

*Dr. Matthai.*—There was a letter in this file wherein it is stated that this refund of £1 is allowed both for up country sales and the Bombay sales.

*Mr. Lalkaka.*—Yes (Letter dated 18th August, 1928 handed in).

*President.*—This letter dated 18th August was written by one of the sub-agents of the German syndicate to Messrs. Currimbhoy Ebrahim and Sons, Ltd. in which he has informed them that this price of £4-10-0 has been reduced to £3-19-0 in Bombay also.

*Mr. Lalkaka.*—Yes.

*President.*—Formerly there was a difference of £1 between the up country price and the Bombay price. Now this difference has been abolished. Is that right?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—Have you any information when this refund of £1 was made on up country sales? Can you give us the date?

*Mr. Lalkaka.*—October, 1926.

*Dr. Matthai.*—£3-19-0 is the latest.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—£3-19-0 means Rs. 2-15-3 at the mills. C.i.f. is how much.

*Mr. Lalkaka.*—Rs. 52-10-8, per ton.

*President.*—Delivered at the mills would be more?

*Mr. Lalkaka.*—This is c.i.f. Delivered at the mills comes to a few rupees more.

*Dr. Matthai.*—Per cwt. how much is it?

*Mr. Lalkaka.*—Rs. 2-10-0.

*President.*—Rs. 2-15-3 is the landed price. What do you allow for delivery to the mills?

*Mr. Lalkaka.*—About As. 2 to As. 3 per cwt. Here the clearing charges I have in my mind are clearing from the steamer right up to the mills.

*Dr. Matthai.*—Please verify that and give us figures per cwt. c.i.f. landed delivered at the mills.

*Mr. Lalkaka.*—Yes.

*President.*—In this you are trying to calculate the price f.o.r. works, Germany.

*Mr. Lalkaka.*—Yes.

*President.*—Can you get us the price of magnesium chloride in Germany itself?

*Mr. Lalkaka.*—I am afraid I have no means of finding that out.

*President.*—We will take these prices for illustrative purposes. You say freight and insurance charges from Hamburg to Okha are 25 sh. a ton. How do you know that?

*Mr. Lalkaka.*—They are gathered from correspondence as well as from information.

*President.*—I have some recollection that magnesium chloride was considered to be rather good freight from the steamers' point of view and therefore freights were rather low.

*Mr. Lalkaka.*—In pre-war days this used to come as ballast.

*President.*—25s. a ton from Hamburg to Bombay is rather high, because I think in the Steel industry we found that it was about 15s. to 18s. Steel makes very bad freight. Antwerp and Hamburg would be the same.

*Mr. Lalkaka.*—I can quote to you from my letters.

*President.*—What letters?

*Mr. Lalkaka.*—From our agents in different ports.

*President.*—That is precisely what I want to know, because this freight of 25s. from a continental port to Bombay would be rather too high unless the freight was bad.

*Mr. Lalkaka.*—They put great difficulties in our way if we have occasion to send out in small lots.

*President.*—The very fact that it was brought as ballast, the freight must have been considered rather good by the shipping Companies.

*Mr. Lalkaka.*—They fear that by putting magnesium chloride side by side with other cargo, it is liable to spoil the other cargoes.

*President.*—Will you please verify that?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—Has Mr. Kapilram Vakil firsthand knowledge of these items—the various figures that you give here for the canal transport and agency commission in Germany?

*Mr. Lalkaka.*—Yes he has. I have had no time to study the complete scheme (Handed in). Mr. Kapilram Vakil has given definite figures.

*Dr. Matthai.*—Has he been to Germany?

*Mr. Lalkaka.*—Yes, several times. He has mentioned the costs in his report.

*President.*—Of course we can make some allowance if there is a difference of about 10s. a ton.

*Mr. Lalkaka.*—I will quote chapter and verse.

*Dr. Matthai.*—It would be a good thing if you could give us your source of information on all these points.

*Mr. Lalkaka.*—Yes. I will produce the actual letters from agents.

*President.*—This Stassfurt, what part of Germany is it? You say the distance is about 250 miles from Hamburg.

*Mr. Lalkaka.*—Yes.

*President.*—And the freight is about 8s. How do you get that figure?

*Mr. Lalkaka.*—From friends and from information quoted in their letters.

*President.*—These are the two items that require a little bit of examination.

*Mr. Lalkaka.*—What other means could we have of finding out the information.

*Dr. Matthai.*—But surely you should have information as to the current market price of magnesium chloride in Germany.

*Mr. Lalkaka.*—I have none.

*Dr. Matthai.*—If you have people who act more or less as agents there, they must be able to give you the current market price of magnesium chloride in Germany.

*Mr. Lalkaka.*—Personally we are not in touch with anybody in Germany, but we have gathered all the information from friends here who are in the line.

#### *Charge of dumping.*

*Dr. Matthai.*—Your main charge against these people is dumping. There are two ways in which you can attempt to establish dumping; either that the f.o.b. price on exports to India is lower than the current wholesale price in Germany when it is sold to German dealers or that making allowance for all the various charges incurred by them from the works, what is left to them at the works is below their costs.

*Mr. Lalkaka.*—Quite so.

*Dr. Matthai.*—So that it would be of some interest to us if you could give us some figures as to the current market price in Germany of magnesium chloride.

*Mr. Lalkaka.*—I shall try to get it.

*Dr. Matthai.*—You might try and see if you could give us some information.

*Mr. Lalkaka.*—I shall try.

*President.*—Also verify the figures that you have given as regards freight.

*Mr. Lalkaka.*—Yes.

*President.*—We will have to have some evidence as to how this magnesium chloride is manufactured in Germany.

*Mr. Lalkaka.*—Mr. Kapilram H. Vakil is coming to give evidence before you and he will be able to give you that.

*President.*—Has he actually been in the German works? Has he seen the manufacture of magnesium chloride?

*Mr. Lalkaka.*—Yes, he has to my knowledge. He has also visited all the important chemical works in France, America and Germany.

*President.*—We are concerned in this enquiry with the manufacture of magnesium chloride.

*Dr. Matthai.*—Looking at the figures that you have given on page 10 of your replies as regards freight and prices, it seems to me that it will be a

very profitable proposition now to import German magnesium chloride into India and then export it from here.

*Mr. Lalkaka.*—Yes, but the difficulty would be the question of double handling, double freight, etc.

*Dr. Matthai.*—In Australia it leaves you with a margin of £1-10-0 after paying freight.

*President.*—The main difficulty would be that it would not be possible to get magnesium chloride from Germany for export to Australia.

*Dr. Matthai.*—If I were manufacturing magnesium chloride, I would import German chloride and send it with my output to Australia.

*Mr. Lalkaka.*—After all, the Australian market is very limited.

*Dr. Matthai.*—When did you send these trial consignments?

*Mr. Lalkaka.*—Within the last year or two.

*President.*—These are the prices—f.o.b. Bombay—that you got.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—On your consignments to Liverpool and Glasgow, you realised in Bombay a price of Rs. 2-12-0 per cwt.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—That is to say, you were dumping.

*Mr. Lalkaka.*—This is in the nature of experiments. We were attracted by the high prices prevailing there and our arrangements at Okha are more with the idea of export. After all in making experiments one has to burn his fingers.

*President.*—How are the I. G. F. people looking at this?

*Mr. Lalkaka.*—They are trying to bring down their price.

*President.*—In Great Britain?

*Mr. Lalkaka.*—Yes, they have lowered their price by 10 shillings within the last few months.

*President.*—As regards your realised price, you have given a long table which is difficult to follow. It will be of great help if you can give the information in this way. You have got three areas. You have got Bombay, Ahmedabad and mufassal area. What we want is the average price realised in each zone. You must take the total number of tons sold in each area and also the total gross price realised in that area and then divide one by the other. You must give it under three different heads. You can also add a fourth column in which you can show the average price realised on the whole.

*Mr. Lalkaka.*—I will work it out and send it to you later. For what period do you want these figures? Shall I give from 1927 to June 1928? But then during some period of this year, there was this general strike.

*Dr. Matthai.*—You can give us for 12 months in 1927 and for six months in 1928.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—With regard to this question of realised prices, does it still happen that you realise a price somewhat lower than the import price?

*Mr. Lalkaka.*—No, not in Bombay.

*Dr. Matthai.*—In Bombay you get about the same price.

*Mr. Lalkaka.*—Practically the same price.

*Dr. Matthai.*—What about Ahmedabad?

*Mr. Lalkaka.*—Somehow as I have already explained there is always a squeezing tendency in their minds. In spite of all their high talk of Swadeshi, they will want our product to be sold to them at least 6 to 8 annas less per cwt. For instance if the German price was Rs. 3-10-0 we could only, about Rs. 3-4-0.

*President.*—That is why they are doing better than the Bombay mills.



*Mr. Lalkaka.*—If we do not reduce our price, we are simply out of the market.

*Dr. Matthai.*—Is it on the ground of the colour of your stuff?

*Mr. Lalkaka.*—If the ground was colour, surely Great Britain or Australia would have complained long, long ago. Coming nearer home, we have contracts with the best of Bombay mills and they have no complaint to make.

*President.*—How many mills are there in Bombay?

*Mr. Lalkaka.*—See page 5 of our representation to the Tariff Board, dated 15th August, 1927 (shewn).

*President.*—I have not seen this before. Will you please send six copies of this and other printed papers which you may have for the use of the Board?

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—In estimating the difference between the price you realise and the import price it is necessary to take into account this prejudice of six or eight annas on your Ahmedabad sales.

*Mr. Lalkaka.*—I should think so. Not that they are justified but that there is this fact.

*Dr. Matthai.*—When you gave evidence before the Tariff Board last time in 1924, I think you said that that kind of prejudice also existed in Bombay.

*Mr. Lalkaka.*—Yes, at the commencement there was some slight prejudice as Mr. Stones said owing to the difference in colour.

*Dr. Matthai.*—That has been completely eliminated from Bombay.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—At present I suppose you are selling in Ahmedabad about half the quantity.

*Mr. Lalkaka.*—Ahmedabad and Bombay have practically taken the same quantity.

*Dr. Matthai.*—That is to say, half your sales are in Bombay.

*Mr. Chudgar.*—A little more than a third, because we also send some quantity upcountry.

*President.*—They are using twice as much in Ahmedabad as in Bombay.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—Supposing the prejudice in the Ahmedabad market was 8 annas and supposing we allowed you 4 annas on the whole of your sales, that would be a fair arrangement.

*Mr. Lalkaka.*—I should think so.

*Dr. Matthai.*—This refined salt plant you had was in use in 1924.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—You were not able to make very much use of it then.

*Mr. Lalkaka.*—Quite so.

*Dr. Matthai.*—Your output has now considerably increased.

*Mr. Lalkaka.*—Yes.

*Dr. Matthai.*—Has it something to do with Okha?

*Mr. Lalkaka.*—No.

*Dr. Matthai.*—Your main market for refined salt is Calcutta, is it not?

*Mr. Lalkaka.*—No. Of course, no portion of it goes to Calcutta. The reason why we are out of the Calcutta market is because of the prohibitive figure and we have no outlet to the sea.

*Dr. Matthai.*—Supposing you shipped it from Okha to Calcutta?

*Mr. Lalkaka.*—The Pioneer magnesia works have nothing to do with the manufacture of salt for the Calcutta market by The Okha Salt Works, Limited, which Company is solely formed with the idea of competing with the imported foreign salt in the Calcutta market.

*Dr. Matthai.*—Are they producing refined salt?

*Mr. Lalkaka.*—Yes, up to the Liverpool quality. Their annual turnover would be from ten to twelve lakhs of Bengal maunds.

*Dr. Matthai.*—How is it that you are able to increase your output as compared to 1924?

*Mr. Lalkaka.*—The plant was there and we succeeded in making in 1925 a contract with the Director of Contracts for supply to the British troops in India. They are buying practically the whole of our output.

*President.*—You mentioned yesterday that magnesium chloride was used by engineers.

*Mr. Lalkaka.*—Yes, for tiles.

*President.*—You mentioned also a tiles factory.

*Mr. Lalkaka.*—Yes, the Elephant Glazed Tiles Factory.

*President.*—Is it a big factory?

*Mr. Lalkaka.*—I should think so. From the information I have gathered it appears that they have sunk a capital of Rs. 10 lakhs.

*President.*—Can you suggest an engineer who can tell us the use of magnesium chloride as a possibility on a larger scale in this country.

*Mr. Lalkaka.*—These Tiles people are in arrangement with Messrs. Mawson Vernon Company who are big engineers in Bombay. Yesterday I told you of our having sent several waggon loads to Moghalpura (North Western Railway). The order was really sent to us by Messrs. Mawson Vernon Company, Limited. I have never met them. I think that they would be the proper people to consult.

*President.*—What kinds of tiles do you think are manufactured?

*Mr. Lalkaka.*—Flooring tiles.

*President.*—What is the idea of using magnesium chloride in the manufacture of tiles?

*Mr. Chudgar.*—For absorbing the moisture so that the tile does not crack.

*President.*—You have not sold very much yet.

*Mr. Lalkaka.*—No, about 100 tons. The greatest difficulty has been packing. Packing costs are very high.

*President.*—That must apply to the imported article.

*Mr. Lalkaka.*—I have not seen the imported article. I suppose they import what they call anhydrous quality. But I am not in a position to say anything definite.

*Dr. Matthai.*—Is your consulting chemist likely to know?

*Mr. Lalkaka.*—I do not know.

*Dr. Matthai.*—Can he not tell us the use of magnesium chloride in connection with tile factories and also in connection with railways which you referred to yesterday?

*Mr. Lalkaka.*—I do not think that he would know about the consumption but he may know the use of it.

*Dr. Matthai.*—If he knows about the use of it, it would have a bearing on the whole question.

*Mr. Lalkaka.*—I submitted at the time of my last examination a report from an American friend saying that it is principally used in America for flooring purposes, and I have got correspondence even this year from people to show that it is so used (file shewn).

*President.*—Taking your own figures as regards your claim for protection the fair selling price in Bombay would be Rs. 3-5-3 per cwt.

*Mr. Lalkaka.*—We have calculated that without any margin of profit.

*President.*—Quite true. We will take that figure for the present. At Ahmedabad it is about Rs. 3-0-9. As my colleague pointed out to you if there was any prejudice in Ahmedabad we may take Rs. 3-5-6 at Ahmedabad.

at the price just for the sake of argument. If we take that and the import price at Rs. 2-15-3 that is a difference of 6 annas 3 pies.

*Mr. Lalkaka.*—We are out by that sum.

*President.*—That is equal to about 12½ to 15 per cent. on the c.i.f. and in fact that is what you are really asking for. On these figures 15 per cent. would enable you to compete. Then you suggest that by way of protection at 15 per cent. anti-dumping duty, should be levied. What is your third suggestion?

*Mr. Lalkaka.*—The third proposal was for exempting our drum sheets from the heavy specific import duty of Rs. 30 per ton on c.i.f. values.

*Dr. Matthai.*—In estimating your costs you have taken that into account so that including that you want a duty of 15 per cent. to cover the present difference.

*Mr. Lalkaka.*—Yes.

*President.*—As regards the 15 per cent. duty that you propose if we make any recommendation at all, we generally make a subsidiary recommendation as we did in the case of the Steel industry that if the foreign article enters at a price which would defeat the object of protection and prevent you from securing what we consider a fair selling price, then the Governor General in Council may increase the duty. It may be increased by 15, 20 or even 100 per cent. Don't you think that would be better than proposing 15 per cent. only because you run a very great risk there. Supposing they were bent on under-selling you. 15 per cent. would not matter to them; it means a fresh enquiry.

*Mr. Lalkaka.*—I agree with you.

*President.*—If we recommend protection I think it would be on these lines. We will determine what should be the fair selling price for you and then we will make a subsidiary proposal that if the price of the imported article falls below the estimates of the foreign price that we have made, then the Governor General in Council will have power to impose an additional duty.

*Mr. Lalkaka.*—That will suit us very well, sir.

**Messrs. Havero Trading Co., Ltd.**

**A.—WRITTEN.**

(1) *Letter dated the 21st November, 1928.*

1. With reference to the proceedings reported in this morning's "Times of India", we beg to confirm our previous letters and to say that we shall be quite prepared to give evidence before the Board, as soon as we have collected the necessary information from the various Manufacturers in Germany.

2. In connection, however, with the reported evidence of Mr. B. S. Lalkaka of the Pioneer Magnesia Works of Kharaghoda, concerning Magnesium Chloride, there is no reason why we should not give evidence before the Board at once, since the conversations took place here in Bombay, and since we are conversant with the facts.

3. If convenient to you, our Messrs. S. Fuchsmann and V. Stuern will appear before the Board on the 30th instant, or earlier, but they should feel obliged if their evidence would, for the present, be confined to the question of Magnesium Chloride.

In the meantime, we beg to draw your attention to the attached statement.

**STATEMENT REGARDING MAGNESIUM CHLORIDE.**

The following observations are made on the assumption that the statements made by Mr. B. S. Lalkaka before the Board are as reported in the "Times of India" on the 21st November, 1928:—

1. Mr. Lalkaka refers to the competition of Messrs. I. G. Farbenindustrie Aktiengesellschaft. We have to say that the I. G. Farbenindustrie Aktiengesellschaft are not at all makers of Magnesium Chloride and never have been.

2. Mr. Lalkaka conveys the impression that the Havero Trading Co., Ltd., are the chief—if not the sole—importers of German Magnesium Chloride. In this respect we beg to state as follows:

3. The total consumption of Magnesium Chloride in India amounts approximately to 4,000 tons per year, out of which 3,000 tons are imported and 1,000 tons Indian production. During the last 12 months, the Havero Trading Co., Ltd., imported less than 100 tons, representing 3 per cent. of the total imports. In the year preceding to that, the Havero Trading Co., Ltd., imported less than 400 tons, representing 12 per cent. of the total imports. Previous to that, the Havero Trading Co., Ltd., did not import any Magnesium Chloride at all. Since the commencement of business in this line, the Havero Trading Co., Ltd.'s total imports were less than 500 tons, or representing a total value of less than £2,000. In other words, the Havero Trading Co., Ltd., far from holding a monopoly for German Magnesium Chloride, plays in this trade a very insignificant rôle. We may add that we intend to drop this line of business entirely.

4. Such imports as were made by the Havero Trading Co., Ltd., were obtained from the Chemikalien Aktiengesellschaft, Berlin, a Company acting as Distributors for the German Magnesium Chloride Syndicate, and which has no connection whatever with the I. G. Farbenindustrie Aktiengesellschaft.

5. Magnesium Chloride occurs in its natural state only in Germany, in pits near Stassfurt. The pits belong to various owners, who have entrusted the sale of their outputs to the Company above mentioned.

6. The Chemikalien Aktiengesellschaft, Berlin, has not, at any time, confined its Indian sale to the Havero Trading Co., Ltd., but was and is chiefly and directly dealing with various Indian firms. As a matter of fact,

at present, 97 per cent. of the German Magnesium Chloride is being imported by Indian firms. The share of the Indian firms in the business has never, to our knowledge, been less than 95 per cent.

7 So far as our knowledge goes, no Magnesium Chloride was manufactured in India in pre-war days. When, owing to war conditions, the supplies from Germany failed, the manufacture of Magnesium Chloride was taken up in India by the Salt Works, Kharaghoda. We understand that Indian Magnesium Chloride is being obtained from the salt lye left after the manufacture of Salt. The Indian Magnesium Chloride is darker in appearance, and consumers prefer the German Magnesium Chloride, which is whiter and considered of purer quality. Accordingly, there is generally a difference in price of 8 annas per cwt. in favour of the German stuff. The Indian Industry, therefore, started with a handicap, under which, we understand, it is still labouring.

8. The circumstances which led to our conversations with Mr. Lalkaka are about as follows:—

A duty of 15 per cent. *ad valorem* had been imposed on the imported stuff. In 1927, it was rumoured that this duty would be abolished again, in consequence of representations made by consumers. At the same time, it became known that another Magnesium Chloride Factory would be erected at Okha. On the other hand, the various members of the German Magnesium Chloride Syndicate each went their several ways, with the result that there was fierce competition in all the markets of the World.

9. The Indian firms importing Magnesium Chloride are, generally speaking, financially not very strong, and as, furthermore, the low price and bulky nature of Magnesium Chloride do not permit of storage, the importing firms were very often compelled to sell the incoming arrivals at a loss, and generally, the business is being done by them at a margin of 1 per cent. to 1½ per cent. Very often, their imports exceeded the demand considerably.

10. The culminating effect of these conditions was, that the manufacture of Magnesium Chloride by the Pioneer Magnesia Works of Kharaghoda was threatened with extinction. On the other hand, the low prices made the business unattractive for everybody concerned and it occurred to us that an understanding with the Pioneer Magnesia Works might perhaps mend matters. In order to make negotiations possible, it was necessary, in the first place, to regularize the arrivals from Germany. Through the Manager of our Chemical Department, who happened to be at that time in Germany, we obtained authority from the German Magnesium Chloride Syndicate to open tentative negotiations with the Pioneer Magnesia Works. Throughout our negotiations with the Pioneer Magnesia Works, the Syndicate, however, continued to do its business in the usual manner, that is to say, to sell to their various traditional customers in India, therefore, even during this period of negotiations, we did not hold any sole-importing rights from the German Syndicate—a fact that was perfectly obvious to Mr. Lalkaka. Besides, Mr. Lalkaka had already on two previous occasions tried to come to an understanding with the German Syndicate through the medium of Indian importers. The Pioneer Magnesia Works welcomed our efforts and there were many conversations extending over several weeks, but when the Pioneer Magnesia Works learnt that the German Syndicate made it a condition precedent that they must be allowed to do their traditional business, in other words, that they claimed 70 per cent. to 75 per cent. of the total Indian business, the Pioneer Magnesia Works withdrew from the negotiations, and we on our side gave the matter up. We have since entertained no connection with the Syndicate, except for the purpose of buying from them occasional small lots as mentioned above.

11. We recapitulate and emphasize:

(a) that the I. G. Farbenindustrie Aktiengesellschaft was not at any time in any way interested in these negotiations;

- (b) that the Haverø Trading Co., Ltd., did not at any time hold sole-importing rights of the German Magnesium Chloride Syndicate;
- (c) that the negotiations, far from having the object of strangling the Pioneer Magnesia Works of Kharaghoda, had for object the establishment of a united front against the new Works at Okha, and incidentally to guarantee to the Pioneer Magnesia Works a reasonable chance of existence.

12. During the course of our negotiations with Mr. Lalkaka, he wrote us several letters purporting to be a résumé of our negotiations. These letters were handed back to Mr. Lalkaka by our Mr. Fuchsmann in the presence of Mr. Popper, the Acting Manager of our Chemical Department, under protest, as they did not at all represent the true happenings. Mr. Lalkaka received these letters back and apologized.

13. It is true that we pointed out to Mr. Lalkaka that if the negotiations broke down, it would mean a continuance of the conditions which we both deplored and that prices would sag further. This has since actually taken place.

14. As a consequence, the Haverø Trading Co., Ltd., is not now interested in the importation of Magnesium Chloride, except in stray cases, in order to oblige its regular constituents.

15. There never has been, and we think there never will be, an attempt on the part of the German Magnesium Chloride Syndicate to throttle the Indian Industry. The whole Indian business represents to the German Syndicate no more than 3 per cent. of its total output, and if India finds it convenient to buy the lower grade Magnesium Chloride produced in the country, we do not think that any attempt will be made to deviate the trade from that course. But it is possible that certain consumers will also in future insist on having pure German Magnesium Chloride, even if they have to pay a higher price for it.

16. So far as our knowledge goes, the German Magnesium Chloride Syndicate is at present not represented in India, but its various members have Agents in different parts of the country.

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(2) *Letter dated the 23rd January, 1929, from the Haverø Trading Company, Limited, Bombay.*

Referring to the second last page of our evidence given on the 22nd November, 1928, pertaining to the manufacturing process of the before-mentioned chemical in Germany we regret to inform you that after careful perusal of the German text books in hand we find that the same do not contain any details about the process of manufacture observed in Germany.

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(3) *Letter dated the 8th May, 1929, from the Haverø Trading Company, Limited.*

(1) Referring to our letter of the 27th March, 1929, page 2, we have pleasure in handing you enclosed original letter received from Messrs. Chemikalien Aktiengesellschaft, Berlin, dealing with *Magnesium Chloride* which speaks for itself.

Enclosure.

(True Copy.)

## CHEMIKALIEN AKTIENGESELLSCHAFT.

BERLIN, W. 35,  
16th April, 1929.

ABT. Chem. X/Ws.

Messrs. HAVERO TRADING CO., LTD.,  
Bombay.

DEAR SIRS,

Re Protection to Indian manufacturers of heavy Chemicals.  
Magnesium Chloride.

We still have to acknowledge receipt of the copies of your letter, dated 21st November, 1928, to the Tariff Board with enclosed statement, and of the record of evidence before the Tariff Board on the 22nd November, 1928.

We should feel much obliged if you would go on with the matter regarding *Magnesium Chloride* and we authorize you to give, in our name, the following remarks to the Tariff Board:

Firstly, we beg to confirm your statement that Messrs. I. G. Farbenindustrie Aktiengesellschaft do not produce Magnesium Chloride commercial and that they are not members of the German Magnesium Chloride Syndicate, so that they have nothing to do with the sale and delivery of this stuff to British India.

Secondly, we beg to point out that *since the 1st January, 1928*, we are the distributors in British India for the German Magnesium Chloride Syndicate. Before that time, we also dealt in the Magnesium Chloride business for many years, but as distributors for our own plants or as general agents of the Syndicate *in competition with other suppliers*.

Further we may give a general information about the business in Magnesium Chloride. The most German makers of Magnesium Chloride have joined in the Syndicate in order to simplify the business and to cut the sales expenses. The Syndicate only takes all orders from the sellers for distribution to the members as per agreement, but *it does not sell at all*. The prices are fixed by the members in accordance with their cost price and the sale only is done by some general agencies. The Syndicate does not hold a monopoly neither in Germany nor in the world-market at all as the product is also made in France, Italy, Russia and the United States of America and also, in a liquid form, in the United Kingdom, besides the production in India. From this, it will be understood that the German Syndicate has to stand against a heavy competition and cannot control the whole market like a trust. For the same reason, we are forced to hold our position also in India at least in the same extent as during the first few years *after the war*.

With regard to the point that the Syndicate claimed 70-75 per cent. of the business, we beg to point out that Germany delivered *before the war* 100 per cent. of the imported Magnesium Chloride and *after the war* she covered 70-80 per cent. of the Indian demand. Therefore, when claiming 70-75 per cent. of the business during the negotiations with the Pioneer Magnesia Works, the German Syndicate based upon the position as it was *after the war* and still is. Thus they were prepared to make an agreement with the Pioneer Magnesia Works in the proportion of their business *during the last years*, namely at least 70 : 30 per cent. They did not at all intend to throttle the Indian industry, but to stabilise the Indian business and to finish the strong competition in guaranteeing to the Pioneer Works a business of 30 per cent. at a fair price. That was a fair proposition in respect of the traditional business of about 80 per cent. *after the war* and of the better quality of the German stuff. The normal Indian consumption of Magnesium Chloride is about 500 tons per

month=6,000 tons per annum, so that a business of 30 per cent. amounts to about 1,800 tons. The Haverø Trading Company did not have the sole agency or the control for the German deliveries, but they were only authorized to negotiate with the Pioneer Works in the name of the German Syndicate. If the negotiations had succeeded, then they would have become the sole importing agents of the German Syndicate, but during the negotiations we continued the business through various importing houses as before in order not to lose our business.

Now to the question of price. This cannot be judged from reports of journals only because, as per experience, these reports are most wrong or not exact. This can be proved easily. Firstly, must be rejected the claim or the impression that we make "dumping" when selling Magnesium Chloride to British India. It is true that the present price for India does not pay the German manufacturers as they have only a very small profit, but this is the same on all markets owing to the heavy competition (see above) and *we do not sell below the cost-price or below the home-market price*. In Germany, nearly all consumers take the Magnesium Chloride in lye and only a very limited number of consumers use the stuff in the crystal or flake form.

The prices are as follows:—

*British India: c.i.f. main ports for fused material—*

One ton of 1,000 kos., £3-19-0.

Equal to about £2-13-6 f.o.b. Hamburg.

Equal to about Mk. 54·50 f.o.b. Hamburg.

Equal to about Mk. 49 *ex* factory.

*Germany: (I) lye (containing about 60 per cent. Magnesium Chloride, MgCl<sub>2</sub>·7H<sub>2</sub>O)—*

1,000 kos. (a) highest price Mk. 16·50 *ex* factory.

1,000 kos. (b) average price Mk. 12 *ex* factory.

Equal to (a) Mk. 27·50 *ex* factory.

Equal to (b) Mk. 20 *ex* factory.

*For material with 100 per cent. MgCl<sub>2</sub>·7H<sub>2</sub>O as delivered to British India.*

(II) Magnesium Chloride crystals or flakes per 1,000 kos. Mk. 50·50 *ex* factory, thus Mk. 1·50 higher than the fused quality for India. Actually the *over-price* for crystals or flakes for export is £1=Mk. 20·40 per 1,000 kos. on the figure for fused material.

This example shows that there cannot be spoken of "dumping". We cannot make a dumping, thus selling at high prices in Germany and at low prices in other countries, *as the import of Magnesium Chloride in Germany is free of any duty and free of any prohibition*, so that we are forced to sell at low prices with small profit even at our own market in order to keep away the French, Russian and Italian competition.

Further, it is not right that the prices for the Indian market compared with other important markets are very much lower. Dr. Matthal mentioned the following market prices:—

United Kingdom . . . . .	abt. £5-10-0
Australia . . . . .	abt. £7-0-0
America . . . . .	abt. £7-0-0
against £3-19-0 in India.	

But the mentioned figures for the 3 markets are not the actual prices c.i.f. port of destination which we obtain, they are market prices *ex* warehouse, thus including landing charges, duty, handling, warehouse expenses and profit of the importers and dealers.



Australia is not an important market and can be passed over in this connection, but the United Kingdom and U. S. A. are very important consumers and the chloride is not sold to India cheaper with dumping than to these markets.

*United Kingdom*.—The average price c.i.f. main English ports is about £4-0-0 per 1,000 kos. for the fused quality, corresponding with the c.i.f. price for India.

*U. S. A.*.—Usually the material is shipped to the main ports of the Atlantic coast and the c.i.f. price per 1,000 kos. is \$16.50 = £3-8-0, thus being still cheaper by 11s. per ton than for India.

There could be given further examples, if wanted, showing that the price-basis is the same also in other markets and that we do not sell at special low prices to India.

We have only the principle: Small profit and large turnover=good profit. This explains our cheap prices and we think that is also of great advantage and assistance to the Indian Mills to obtain the raw materials as cheap as possible and of the best pure white quality.

Awaiting with interest your further kind news,

We remain, dear Sirs,

Yours very truly,

CHEMICALIEN AKTIENGESELLSCHAFT.

## HAVERO TRADING COMPANY, LIMITED.

B.—ORAL.

**Evidence of Mr. S. FUCHSMANN and Mr. V. STUERM recorded at Bombay on Thursday, the 22nd November, 1928.**

*Introductory.*

*President.*—Mr. Fuchsmann, you are the Managing Director of the Havero Trading Company?

*Mr. Fuchsmann.*—I am one of the general managers of the Havero Trading Company.

*President.*—For all India?

*Mr. Fuchsmann.*—Yes.

*President.*—The Havero Trading Company are the selling agents, I understand, of the I. G. Farbenindustrie Aktiengesellschaft?

*Mr. Fuchsmann.*—They hold the sole marketing rights of the I. G.

*President.*—Besides that you are agents for other continental companies?

*Mr. Fuchsmann.*—Not agents; we are dealers buying on firm account sometimes, and sometimes acting as agents.

*President.*—What is your position, Mr. Stuerm?

*Mr. Stuerm.*—I am the manager of the Chemical Department of the Havero Trading Company.

*President.*—This morning I have given a special sitting at your request, Mr. Fuchsmann, to give you an opportunity of explaining certain facts which you think require some explanation in connection with magnesium chloride. I propose to confine myself this morning to the statement in respect of which you want to give an explanation in connection with magnesium chloride. We will have to examine you again at a later date in connection with points involved in the magnesium chloride enquiry as well as other chemicals.

*Mr. Fuchsmann.*—I shall always be prepared to appear before the Board.

*Mr. Lalkaka's case explained.*

*President.*—Apart from the reports that you have read the point that Mr. Lalkaka wished to make was this—I am speaking from memory—that there was a Trust—we will call it a trust in the absence of any other better term—which was interested in the magnesium chloride industry. That Trust was interested in obtaining a monopoly in magnesium chloride in this country and you were acting at that time as their representative.

*Mr. Fuchsmann.*—That is Mr. Lalkaka's point?

*President.*—Yes, when you entered into negotiation with Mr. Lalkaka. There are two points, first of all whether there is a syndicate?

*Mr. Fuchsmann.*—There is a syndicate in Germany.

*President.*—You also claim that they are entitled to 70 or 75 per cent. of the magnesium chloride industry in India because that is their share at present. Is that your case?

*Mr. Fuchsmann.*—Yes.

*President.*—There is no dispute about that?

*Mr. Fuchsmann.*—No.

*President.*—The next point about which there is dispute from your point of view is as to whether you were acting on behalf of this syndicate. From the correspondence it appears as though you wrote some letters, which we

have in our possession, in which you stated that you had that authority. That is really Mr. Lalkaka's case. As regards I. G.'s connection with it, as far as I remember Mr. Lalkaka did not know what the present situation was, but as you are agents for the I. G., and as you were also acting at that time for the syndicate, there might have been some misapprehension.

*Mr. Fuchsmann.*—May I observe at this stage that this is really my chief point? The articles which have appeared in the Press must convey to the ordinary reader that it was the I. G. which was trying to obtain a monopoly for magnesium chloride in India and my answer to that is that the I. G. are not at all makers of magnesium chloride, never have been and I can say never will be.

*No connection between Magnesium Chloride Syndicate and the I. G.*

*Dr. Matthai.*—Is the magnesium chloride syndicate in any sense a subsidiary of the I. G.?

*Mr. Fuchsmann.*—It has absolutely no connection whatsoever with the I. G. If you go deeply into the history of chemicals you will find that in a certain sense the magnesium chloride syndicate and the I. G. are competitors—in a very remote sense.

*President.*—That what gave rise to this misapprehension on the part of the press was the fact that you happened to represent both these organizations for a time.

*Mr. Fuchsmann.*—Mr. Lalkaka should have known better.

*President.*—Mr. Lalkaka did not say that the I. G. was. That is how I understand the matter in any case. It might be possible for others to have understood it in that sense.

*Mr. Fuchsmann.*—It is quite clear that we have sole importing rights for the I. G. but magnesium chloride is being imported by every Tom, Dick and Harry into India, so it is quite obvious that the I. G. do not import magnesium chloride.

*Dr. Matthai.*—Your main point is to refute the suggestion that magnesium chloride syndicate is in any way connected with the I. G.?

*Mr. Fuchsmann.*—That is my main point.

*Dr. Matthai.*—Mr. Lalkaka's main point was that there was this syndicate which in the evidence is described as a Trust.

*Mr. Fuchsmann.*—It is hardly a Trust. It is not a Trust at all.

*Dr. Matthai.*—A syndicate working jointly.

*Mr. Fuchsmann.*—That is also only relatively true. As a matter of fact several members of this syndicate go in opposite directions!

*Dr. Matthai.*—I take it this magnesium chloride syndicate is organized for the sort of objects which are generally followed by a German cartel, that is to say, for the purpose of regulating sales, output and so on.

*Mr. Fuchsmann.*—I cannot give you any information on that point. Our connection with the syndicate, as I have said in my representation, is to the extent of the enormous business of 500 tons in two years, representing a total value of less than £2,000! I mean it is a ridiculously small amount.

*Activities of the Syndicate.*

*Dr. Matthai.*—That is as far as the Haverø Trading Company is concerned. But we are trying to get the position cleared about the magnesium chloride syndicate. I take it from your letter that the syndicate is not a permanent organization so to speak but is renewed from year to year.

*Mr. Fuchsmann.*—It is a matter of convenience.

*Dr. Matthai.*—During the time that the syndicate is in existence it is in a position practically to control sales, output, prices, etc.

*Mr. Fuchsmann.*—It might be but it actually does not because the members themselves are not agreed.

*Dr. Matthai.*—You say that the importers here in Bombay of magnesium chloride import independently.

*Mr. Fuchsmann.*—Quite so.

*Dr. Matthai.*—I take it that the c.i.f. prices are fixed by the distributing agency of the syndicate.

*Mr. Fuchsmann.*—I don't know.

*Dr. Matthai.*—On that point you have no information?

*Mr. Fuchsmann.*—No.

*Dr. Matthai.*—Judging from the figures that we have, the c.i.f. prices are fixed from time to time by some agency outside.

*Mr. Fuchsmann.*—Not by us.

*Dr. Matthai.*—I am not speaking of Havero Trading Company.

*Mr. Fuchsmann.*—Our knowledge about the Syndicate is very limited. We do very moderate business—practically no business at all—and we do not know what their policy is and what they mean to do.

*President.*—There are two points which still remain to be explained. First there is the fact as you say that the sales in India amount to 3 per cent. of the output of the Syndicate.

*Mr. Fuchsmann.*—That is so.

*President.*—And you consider that that percentage is very insignificant from their point of view.

*Mr. Fuchsmann.*—Yes.

*President.*—If that is the case why is it for the last 5 or 6 years they are carrying on this competition against the local industry. If it is a matter of little significance to them, one should have expected that they would allow the market to go, but according to the evidence that has already been recorded, it does appear that they attach some importance to retaining the market.

*Mr. Fuchsmann.*—I should say every little bit helps in business.

*President.*—That is the point. If it was the case that they didn't care at all for this market, we should have thought that by now they would have given it up.

*Mr. Fuchsmann.*—What I meant was that the business is not of such importance that they would go out of their way to do all these things as Mr. Lalkaka has alleged that they do.

*President.*—They did claim 70 to 75 per cent.

*Mr. Fuchsmann.*—What these people said was this: "We have been supplying our customers for 15 years before the war." Now Mr. Lalkaka's real demand is that they should inform some of their customers that in future they cannot supply them any more so that the Pioneer Magnesia Works may get a bigger share. This they are unwilling to do, because their stuff is purer and whiter. Some of their customers insist on having German stuff and therefore they could not disappoint their constituents.

*President.*—I find no reference to that in the correspondence.

*Mr. Fuchsmann.*—These conversations lasted, I think, from May to November last year.

*President.*—I think the position was simply put this way. Their business amounted to 70 or 75 per cent. and therefore they were entitled to it.

*Mr. Fuchsmann.*—That was the term of the pool that was suggested.

*Position of the Havero Trading Co. in the negotiation between the Syndicate and the Pioneer Magnesia Works.*

*President.*—I am asking you whether it is a right contention for any industry to say because it had a share of 75 per cent. before the war, that apart from changes that might have taken place in any foreign country since the war, they are still entitled to the same share in the business.

*Mr. Fuchsmann.*—It is not for me to judge. I was merely a spokesman of the Syndicate.

*President.*—If that was so, no country in the world could establish industries except on a footing on which they were before the war.

*Mr. Fuchsmann.*—I was merely, as I said, a spokesman of the Syndicate.

*Dr. Matthai.*—There is a definite statement that you make in your letter handed in last night that there was no intention on the part of the Magnesium Chloride Syndicate to throttle or harm the Indian industry.

*Mr. Fuchsmann.*—Yes.

*Dr. Matthai.*—On this point of distribution of sales in the proportion of 70 to 30, the Syndicate was absolutely firm.

*Mr. Fuchsmann.*—Yes.

*Dr. Matthai.*—Because the negotiations broke down on that point.

*Mr. Fuchsmann.*—They broke on that point.

*Dr. Matthai.*—Whatever the intentions of the Syndicate were, the effect of it would have been to throttle the Indian industry.

*Mr. Fuchsmann.*—No. On the contrary the effect would have been to guarantee to the Syndicate a business of 25 or 30 per cent., a business which was on the verge of extinction.

*Dr. Matthai.*—I think you ought to look at it in relation to the circumstances of 1927. In 1927, as you admit yourself, the Indian sales amounted to somewhere about 4,000 tons. 30 per cent. of that would have been 1,000 to 1,500 tons. An industry which produces 1,000 to 1,500 tons of Magnesium Chloride could not do it economically. It would be simply impossible on the costs that we have here.

*Mr. Fuchsmann.*—I don't think they are producing any more now.

*President.*—Their output is about 2,500 tons now.

*Dr. Matthai.*—In 1927 when the negotiations were opened, their output was 2,500 tons and the effect of your condition would have been that they would have had to go back from an output of 2,500 tons to an output of less than 1,500 tons.

*Mr. Fuchsmann.*—This was a matter open to negotiation.

*Dr. Matthai.*—On that point it absolutely broke down.

*Mr. Fuchsmann.*—These were the terms.

*President.*—These were the conditions precedent.

*Mr. Fuchsmann.*—Yes.

*President.*—Therefore I may say on that point the Magnesium Chloride Syndicate was not to be persuaded at all. That is the position.

*Mr. Fuchsmann.*—They claim their traditional business.

*President.*—No one can claim traditional business. Every one is bound to allow for changes brought about by circumstances. There is no such thing as traditional business in any part of the world. If one nation was to claim its traditional business in a foreign territory, apart from changes in time and conditions, the countries which came rather late into the business would have no chance whatever.

*Mr. Fuchsmann.*—May I point out that this had absolutely nothing to do with Haverø Trading Company? We were merely trying to get the business. We made a proposal and it was for them to accept or reject it.

*President.*—I am not suggesting, Mr. Fuchsmann, that you have any personal interest in the business, but you were at that time acting as their agent in this matter.

*Mr. Fuchsmann.*—I disagree. Even at that time the Syndicate went on to sell to its usual constituents. The only proposal was that if we succeeded to come to terms with the Indian manufacturer, then they would give us sole

rights of imports, but we were not the agents in this sense that we controlled the arrivals. It was merely a tentative proposal that was made. But I may tell you this that on two different occasions attempts had already been made by this Syndicate and some of the Indian firms. All that we did was to give to the feeling that we might have better luck.

*President.*—There was a letter sent by you dated 14th November, 1927, to the Pioneer Magnesia Works, in which you say:

“As suggested in your letter dated 5th October we have passed on copy of the draft agreement handed to you by our letter of 28th September as well as your reply by your above-mentioned letter to our Principals from whom we now received the following instructions.”

You cannot deny that you regarded them as your Principals in this respect.

*Mr. Fuchsmann.*—For the purpose of our negotiations, we certainly spoke in the loose sense of these people as our Principals, but as a matter of fact they were not.

*President.*—In the same letter you further on say:—

“We are informed that the orders placed with our Principals during this year exceed by far the turnover of previous years; the distribution key of 70 per cent. : 30 per cent. originally proposed by us would be the utmost our Principals would be prepared to agree upon in order to show their willingness to come to an understanding.”

*Mr. Fuchsmann.*—There may be a certain amount of loose language for the purpose of convenience, but the underlying facts of the case are that these people were in no sense our Principals. We didn't receive any remuneration for that. We didn't accept any instructions. We were in no way subservient to them. We merely tried to come to an understanding.

*Dr. Matthai.*—If the negotiations had succeeded, then you would have become the sole importing agent of the Magnesium Chloride Syndicate.

*Mr. Fuchsmann.*—In that case we would.

*Dr. Matthai.*—I take it from your letter that your whole object in opening these negotiations was to regularise the imports of magnesium chloride into this country.

*Mr. Fuchsmann.*—That is right.

*Dr. Matthai.*—I take it what that means is that at present in the way in which various independent dealers are selling these things, there is a certain amount of haphazard cut-throat competition.

*Mr. Fuchsmann.*—That is so.

*Dr. Matthai.*—You wanted to prevent that.

*Mr. Fuchsmann.*—Yes.

*Dr. Matthai.*—And the only way in which that could be prevented is by somebody becoming, so to speak, the sole agents.

*Mr. Fuchsmann.*—That was the underlying idea.

*Dr. Matthai.*—Therefore you got an authorisation from the Magnesium Chloride Syndicate to open negotiations with the Pioneer Magnesia Works.

*Mr. Fuchsmann.*—That is true.

*Dr. Matthai.*—If the regularisation on your proposals had come about, then you would have become the sole agent, so that although at the time that you opened these negotiations you had no interest, there was a definite prospect of your becoming the sole agent and acquiring an interest.

*Mr. Fuchsmann.*—Quite.

*Relation between the Syndicate and the Chemikalien Aktiengesellschaft.*

*Dr. Matthai.*—I want to be quite clear about the relation of the Syndicate and this organisation that you are speaking about. I take it that while the Syndicate is composed of various independent manufacturers who during the time that the Syndicate is in operation regulate prices and output, the actual distribution is done through the Chemikalien Aktiengesellschaft.

*Mr. Fuchsmann.*—That is true.

*Dr. Matthai.*—So that when anybody in India imports from Germany, he imports from the Chemikalien Aktiengesellschaft.

*Mr. Fuchsmann.*—Yes.

*Dr. Matthai.*—So that you have imported small quantities from this Chemikalien Aktiengesellschaft, Berlin.

*Mr. Fuchsmann.*—That is right.

*President.*—I want you to give any explanation that you wish to give as regards the I. G.

*Mr. Fuchsmann.*—There is nothing to hide.

*President.*—From your point of view you feel that your position has not been clearly set out. But I can tell you this much. The main point remains where it was. That is to say the existence of the Syndicate now is admitted and its method of operation is also admitted, that is, it wanted 70 per cent. of the business.

*Mr. Fuchsmann.*—My point merely is that this Syndicate whoever they are has absolutely nothing to do with I. G.

*President.*—It makes very little difference to the industry whether it is the I. G. or whether it is the other Syndicate.

*Mr. Fuchsmann.*—It makes all the difference to me.

*President.*—You say the I. G. has got nothing to do. It does not alter the situation. I am trying to explain to you as regards this Manganese Chloride Syndicate.

*Effect of Pools in Magnesium Chloride Industry.*

*Mr. Fuchsmann.*—But I don't see that they do anything wrong. Pools are being formed in every country every day.

*President.*—If you study our own proceedings, you will find that we ourselves have recommended the formation of pools. In the Cement industry we went out of the way to suggest that they should first put their house in order and not carry on cut-throat competition amongst themselves, but that is quite different from a foreign Syndicate coming here and claiming the lion's share of the business in any industry which has sprung up in the country. That is a very different proposition.

*Mr. Fuchsmann.*—If that pool had come off, the Indian industry to-day would be much happier than it is. Now the price has come down further by £1.

*President.*—That is why we are enquiring.

*Mr. Fuchsmann.*—If the pool had come off, these prices would have been maintained at least at the level in which they were then.

*President.*—Personally we should have been very glad if they had.

*Mr. Fuchsmann.*—There is a sound economic idea at the bottom of this pooling arrangement. As I say this little industry of magnesium chloride in India cannot even claim to be the originator of this idea. This idea was born with the birth of this industry and eventually unless you prohibit the importation altogether, such a thing will come about, because the present prices cannot possibly pay to those people nor to the German people.

*The scope of the present enquiry explained.*

*President.*—We are not concerned with the value. The whole point is this. We are taking evidence on the point. The claim of the industry is that it can supply the whole demand of the country.

*Mr. Fuchsmann.*—I disagree.

*President.*—You may disagree. I don't express any opinion. I say the industry claims to-day that it can supply the whole demand of the country for magnesium chloride. It also claims that its magnesium chloride for manufacturing purposes is as good as the German magnesium chloride. But they say that there is a certain amount of prejudice against magnesium chloride produced in the country which has got nothing to do with the quality at all, but it is mere prejudice.

*Mr. Fuchsmann.*—It is a matter of opinion.

*President.*—If we are satisfied that it is only a prejudice and the quality for practical purposes of the two articles is the same, we should not accept it in considering the case for protection as a ground to allow foreign imports ordinarily. If a consumer has a special taste and he wants to indulge in it, he has to pay a higher price.

*Mr. Fuchsmann.*—I am not the spokesman of the Magnesium Chloride Syndicate at all. I am absolutely disinterested.

*President.*—I am coming to the point which you have raised in the representation. Supposing the position is that the indigenous industry can supply the whole demand of the country, except a very small demand from consumers who would use the imported article at whatever reasonable price they can get, then if the foreign manufacturer claims a monopoly of 75 per cent., has not the local industry some right to complain?

*Mr. Fuchsmann.*—I think it is sometimes much better to sell 25 per cent. at the price that yields you a profit than to sell 50 per cent. at a price that yields you nothing.

*President.*—Supposing this industry establishes its claim for protection, that means that this industry is to sell at a reasonable profit and a scheme of protection, if it is recommended, would ensure to it that price.

*Mr. Fuchsmann.*—May I point out that at the time when these negotiations were taking place, the consumers were clamouring for the abolition of such duty as there was? The duty worked out to As. 10 per cwt. How were we to know that after a year all the opposite arguments would be used for protection? You must consider these things in the light as they appeared to us. Then we had a resolution from the Government of India that whatever was required by mills was to be imported into the country free.

*President.*—But there was then one reservation, that is, except as regards those articles which might require protection.

*Mr. Fuchsmann.*—Anyhow the duty was abolished hardly a year back. The duty is to be reimposed.

*President.*—You must not assume that it is going to be reimposed.

*Mr. Fuchsmann.*—The question is enquired into.

*President.*—Yes.

*Mr. Fuchsmann.*—When we spoke to Mr. Lalkaka everything was dominated by this fact that on the 1st October the duty, whatever it was, was to go and therefore it was for the people to make the best of the terms they could.

*Dr. Matthai.*—There was another circumstance in 1927. By 1927 the imports of German chloride into India were almost half since 1924, is not that so?

*Mr. Fuchsmann.*—Yes.

*Dr. Matthai.*—Practically all the deficiency in the Indian market since has been supplied by the local industry.



*Mr. Fuchsmann.*—Yes.

*Dr. Matthai.*—Therefore in 1927 when you were opening these negotiations with them, the Indian industry had captured about 2,000 tons more than they had 3 years ago. Their position had very considerably improved then.

*Mr. Fuchsmann.*—I quite agree, but the opposing party did not consider that that would have been the state of affairs.

*Dr. Matthai.*—As the President pointed out we have not the slightest desire to make any allegations against you or your Company at all.

*Mr. Fuchsmann.*—There is really nothing in it.

*Dr. Matthai.*—Our business here is to safeguard Indian industries against foreign competition.

*Mr. Fuchsmann.*—Yes.

*Dr. Matthai.*—When that foreign competition comes from a very powerful organised Syndicate, it is necessary for us to take very special care.

*Mr. Fuchsmann.*—It is not a very powerful Syndicate. Those are very poor people who are struggling very hard to make a living. When a stuff is to be sold at £4 c.i.f. in India you can imagine that the big sums involved are not very big. When you speak of a very powerful Syndicate, you are absolutely under an illusion.

*Dr. Matthai.*—People who manufacture magnesium chloride in Germany are the people who cater for the bulk of the world's market.

*Mr. Fuchsmann.*—Yes.

*Dr. Matthai.*—Although the actual manufacturing is done by small people, the actual sale, the regulation of the output and distribution are all done through a powerfully organised Corporation.

*Mr. Fuchsmann.*—I would not call them powerful.

*Dr. Matthai.*—As far as magnesium chloride is concerned, they are very powerful.

*Mr. Fuchsmann.*—Yes. It is all in relation to the other things in the world.

*Dr. Matthai.*—We are considering the question of protection of the Magnesium Chloride Industry and speaking about magnesium chloride your syndicate is rather a powerful body.

*Mr. Fuchsmann.*—Yes.

*Dr. Matthai.*—Therefore we are very much interested in seeing that if we protect the Indian industry, it is protected adequately against the operations of the Syndicate in Magnesium Chloride.

*President.*—You will admit, don't you, that it is a much more powerful body than the company represented by Mr. Lalkaka.

*Mr. Fuchsmann.*—Not in India.

*President.*—I am talking financially.

*Mr. Fuchsmann.*—I do not know. Mr. Lalkaka has a powerful and rich partner.

*President.*—You think that it does not matter if the rich partner loses money in competition.

*Mr. Fuchsmann.*—As I have already pointed out we were trying to raise the price and of course he would have profited by that. We are not interested in anything else than to fix the price at a reasonable level.

*Price of Magnesium Chloride unremunerative in India.*

*President.*—Your contention is that the price at which magnesium chloride now is being sold in the country cannot pay the German manufacturer.

*Mr. Fuchsmann.*—Yes.

*Dr. Matthai.*—You mean that it is distinctly an unremunerative price.

*Mr. Fuchsmann.*—It is not a remunerative price.

*President.*—I see that the c.i.f. price at a British port from Germany of magnesium chloride is about £6 to £6-5-0.

*Mr. Fuchsmann.*—The c.i.f. price in India is £3-19-0.

*President.*—I am talking of Great Britain.

*Mr. Fuchsmann.*—I have no knowledge about that.

*President.*—I simply go by the prices given in journals. The price in England is about £6 or £6-5-0, and that may be a remunerative price.

*Mr. Fuchsmann.*—That would be a good price.

*President.*—There does not seem to be any reason why the prices in India should be very much lower except that the Syndicate wishes to keep the business in its hands.

*Mr. Fuchsmann.*—They say that is the price that they can get.

*President.*—You say in paragraph 7 that the Indian magnesium chloride is darker in appearance and that consumers prefer the German magnesium chloride which is whiter and considered of purer quality, and that therefore there is generally a difference in price of 8 annas per cwt. in favour of the German stuff.

*Mr. Fuchsmann.*—That was our experience.

*President.*—That the Indian consumer would prefer to buy the German magnesium chloride even if he had to pay 8 annas more?

*Mr. Fuchsmann.*—That was our experience.

*Dr. Matthai.*—Throughout the markets in which you were selling?

*Mr. Fuchsmann.*—This refers to magnesium chloride and to the 500 tons that we were selling. I do not know about the rest.

*President.*—Have you any points on which you wish to lay any special emphasis. I think that you have stated that the I. G. have nothing to do with it.

*Mr. Fuchsmann.*—I think I have.

*Company's request that nothing should be inferred against the I. G.*

*President.*—We should be very glad to give you an opportunity of saying whatever you may have to say.

*Mr. Fuchsmann.*—Of course I can only go by the newspaper report.

Here is one sentence—

“*President.*—This throws a great deal of light not only on the policy of the prices of the magnesium chloride industry but also on those of other industries.”

I wish to say to this that the only other article we are getting from the Chemikalien Aktiengesellschaft, Berlin, is Epsom salt.

*President.*—The same allegations are made in connection with Epsom salt.

*Mr. Fuchsmann.*—Very well. Therefore whatever the policy of this particular body may be, good or bad, I don't think that it is right to draw any inference from that about the policy of manufacturers of other chemicals, particularly the I. G. I think that this sentence is liable to give that impression.

*President.*—The same organisation sells also Epsom salt.

*Mr. Fuchsmann.*—Yes.

*President.*—The same allegations are made as regards Epsom salt. There are similar allegations against the Imperial Chemical Industries. We are not in a position to say anything yet.

*Mr. Fuchsmann.*—The only desire I have is that from this sentence which has been put into your mouth no inference should be drawn against the I. G.

*President.*—I will bear that in mind.

*Mr. Fuchsmann.*—We are only getting from these people the two articles mentioned by me which are of minor importance.

*President.*—Of course I implied that whoever were dealing in the same sort or class of articles would be doing the same sort of thing in those articles as in this.

*Another misapprehension about profits explained.*

*Mr. Fuchsmann.*—I am quite sure that you did not mean anything quite serious. As I am here I am taking advantage of this opportunity to dispel any misapprehensions that might arise. Then, there is another paragraph. Dr. Matthai mentioned that from a perusal of the trade returns for the year 1927-28 it appeared to him that when the duty was removed on magnesium chloride, the benefit did not go to the consumer but apparently went to the producer. May I state the facts as they are or as they appear to me. Before the duty was abolished the price was 99 shillings.

*Dr. Matthai.*—That was when?

*Mr. Fuchsmann.*—In September, 1927, or thereabouts. The duty amounted to 10 annas a cwt. The stuff is now being sold at 79 shillings c.i.f. The makers made a reduction of £1 whilst the duty was only 10 annas per-cwt.

*Dr. Matthai.*—When exactly was this reduction made from £4-19-0 to £3-19-0?

*Mr. Fuchsmann.*—I believe you have a witness here to come before you. He will give you better evidence on that point.

*Dr. Matthai.*—Looking simply at the trade figures the position is this. £4-19-0 corresponds to—let us say—Rs. 3-12-0 per cwt. or a little more than that. That was the price in September, 1927. You will find that early in 1928 the price went up from Rs. 3-12-0 to Rs. 4—I am talking of c.i.f. In July and August it went up to Rs. 5 and then you found that the Pioneer Magnesia Works were pushing forward their sales and it was necessary to bring down the price and the price went down in September. It had nothing to do with the duty.

*Mr. Fuchsmann.*—The actual price depended especially in a difficult article like magnesium chloride on the amount of stock available. You must remember that magnesium chloride is very difficult to store and the price is not arrived at by any calculation but merely by opportunities. The manufacturers did not increase their price.

*Dr. Matthai.*—You are quite right there. The prices of magnesium chloride in the Indian market are determined entirely with reference to local conditions.

*Mr. Fuchsmann.*—That is right.

*Dr. Matthai.*—The main local condition is the competition of Kharaghoda, so that even if the duty had not been removed the prices would have come down to £3-19-0 this year. Therefore the reduction of the duty meant an addition to the reserve of the foreign producer.

*Mr. Fuchsmann.*—I don't agree that the main local condition is the competition of Kharaghoda. People have been so anxious to import magnesium chloride that prices came tumbling down. Those lots were imported by weak financial parties. If the draft came, they had to sell it.

*Dr. Matthai.*—One factor that has got to be explained is that the prices in the Indian market compared with other important markets are very much lower.

*Mr. Fuchsmann.*—No, they are not.

*Dr. Matthai.*—The figures that we have show that the Indian prices are lower.

*Mr. Fuchsmann.*—In Germany they are selling at 49 marks per ton in the inland markets, that is roughly speaking 49 shillings.

*Dr. Matthai.*—That is the German home market.

*Mr. Fuchsmann.*—Yes, this is of course according to newspapers. The price now is 79 shillings.

*President.*—In India?

*Mr. Fuchsmann.*—Yes, c.i.f. This means that when you deduct the freight of 25 shillings you get 54. If you allow another 4 shillings for insurance and such things, I think that the German manufacturer still gets a nett price from India of 50 shillings as compared with 49 shillings in the inland market. Sir Padamji mentioned that in England it was even more. These things vary but certainly in Germany it is sold lower than here, thus proving that there is no dumping if that is the test of dumping.

*Dr. Matthai.*—Are you speaking of fused chloride or crystallised chloride?

*Mr. Stuern.*—Fused chloride.

*Dr. Matthai.*—If you take the export markets, the figures that we have got are that in the United Kingdom, German fused chloride sells at about £5½, in Australia at about £7, in America at £7 and in India at £3-19-0.

*Mr. Fuchsmann.*—Yes. You know what the conditions are. This is imported by so many people who cut each other's throat.

*Dr. Matthai.*—If the sales were arranged through a common organisation, whether there could be that amount of competition I rather doubt.

*Mr. Fuchsmann.*—I have already explained that what you call a trust, what you call a powerful, organised syndicate are really people who will agree on nothing but will on every occasion break out and do exactly what they please. This is merely an attempt on their part to get some order and unification. Mr. Stuern had been in Germany and had spoken to those people. It is not a powerful combine that marches to the order of one policy. They will be doing one thing to-day and they will be doing another to-morrow.

*Dr. Matthai.*—They are hoping to be an organised powerful body.

*Mr. Fuchsmann.*—They have no hopes I think.

*President.*—The price of 49 shillings which you gave, is it *ex-works*?

*Mr. Stuern.*—That is the price in force at Hamburg. That is a quotation from the Chemical Exchange at Hamburg.

*President.*—Does that represent f.a.r. or what?

*Mr. Stuern.*—*Ex-Hamburg* godown.

*President.*—Is it for magnesium chloride in bulk or packed in drums?

*Mr. Stuern.*—For fused chloride packed in drums.

*Dr. Matthai.*—Is there much import of crystallised chloride into India?

*Mr. Stuern.*—There is none.

*President.*—Is there any other point which you like to explain?

*Mr. Fuchsmann.*—Thank you very much. It is about as much as I wish to say. There are only two points—that the I. G. have nothing to do with it and that Haver's are interested to the extent of about 3 per cent. of the demand. That is all.

*Date of further examination and points on which further information is wanted.*

*President.*—As regards other chemicals, would you like to come on the 30th?

*Mr. Fuchsmann.*—If you wish.

*President.*—I don't mind giving you a later date if you wish because we want to know the prices of chemicals—not necessarily the chemicals which you import at present but those which are in the market. They may be imported by the Imperial Chemicals but you would be in touch with prices.

*Mr. Fuchsmann.*—We are.

*President.*—We want the prices in Europe in principal countries and in India. That is one thing. Then, we want to know in which of these chemicals the I. G. is directly interested.

*Mr. Fuchsmann.*—Yes.

*President.*—Not only at present but also as regards the future?

*Mr. Fuchsmann.*—As regards the future?

*President.*—You may be thinking of the market for fertilisers. If the I. G. are not interested in fertilisers there is an end of that.

*Mr. Fuchsmann.*—Not in India.

*President.*—What about the prices?

*Mr. Fuchsmann.*—We would put all the information which we are asking from home before you.

*President.*—We would like you to assist us as far as possible.

*Mr. Fuchsmann.*—We will do our best.

*President.*—There is one other point on which we want some information. We do not want to know anything about the cost but we do wish to know how magnesium chloride for instance is manufactured in Germany. The point is this. I understand that in Germany at Stassfurt they take out the potassium salts chiefly and then certain residue remains from which magnesium chloride is manufactured. I wish to know what process they employ after extracting the potassium salts to get the magnesium chloride.

*Mr. Fuchsmann.*—I think we have text-books in our office.

*President.*—We have got text-books also but they don't give the process.

*Mr. Fuchsmann.*—We have got some German text-books and we will translate them and send them to you.

*President.*—In India also they take out the ordinary common salt from the bittern and they manufacture magnesium chloride. We want to see how far these processes are more or less in the same line after they have taken out the other products. That is a point which I wish you to explain if you can.

*Mr. Fuchsmann.*—We will as far as we can.

*President.*—You have got a copy of the Government of India Resolution, I suppose?

*Mr. Fuchsmann.*—We have got a copy.

*President.*—You will be able to give us the prices of the chemicals mentioned therein in Germany. Incidentally we are enquiring into fertilisers and magnesium chloride and we would like to have prices of these also.

*Mr. Fuchsmann.*—It is a very tall order! However we will try to give you the information as far as possible.

*President.*—We leave it to you entirely. We are a public body and if you assisted it, it would be a very good thing. We must have the information early in January. We cannot possibly give you a later date than that.

*Mr. Fuchsmann.*—We will try our best to give you the information.

**Messrs. Purshotamdass Popatlal and Company, Bombay.**

*Letter dated the 15th January, 1929.*

As desired by the President of your Board we give you below the rates of German Magnesium Chloride from 1926 up to date.

Period.	Price c.i.f. per 1,000 kilos.	Port.	Concessions, if any.	Style of the suppliers.
	<i>£ s. d.</i>			
February 1926	5 15 0	Bombay	...	
July 1926	5 15 9	"	...	M/s. Deutscher Chlor- magnesium-Verband, G. m. b. H.
November 1926	5 0 0	"	...	
March 1927	5 3 9	Bombay/Okha	Rebate at £1 per 1,000 kos. if landed at Okha and sent to in- terior parts.	M/s. Deutscher Chlor- magnesium-Syndikat, G. m. b. H.
June 1927	4 3 9	Okha	...	General Agents.
August 1927	5 3 9	Bombay	Rebate at £1 per 1,000 kos.	M/s. Chemikalien-A. G.
February 1928	3 19 0	Okha	...	
March 1928	4 19 0	Bombay	Rebate at £1 per 1,000 kos.	
September 1928	3 19 0	Bombay/Okha	...	

The rates include our commission as Agents.

**Mr. PURSHOTTAMDAS POPATLAL.**

**B.—ORAL.**

**Evidence of Mr. PURSHOTTAMDAS, recorded at Bombay on Thursday, the 22nd November, 1928.**

*President.*—Mr. Purshottamdas, you do business in chemicals?

*Mr. Purshottamdas.*—Yes, practically all heavy chemicals such as magnesium chloride, zinc chloride, sulphate of alumina, etc.

*Dr. Matthai.*—You deal in imported chemicals?

*Mr. Purshottamdas.*—I import. I am working in the capacity of an importing office.

*President.*—How long have you been doing this business?

*Mr. Purshottamdas.*—My firm was established in 1909 and I have been handling this chemical business from 1918.

*President.*—How long have you been dealing with magnesium chloride?

*Mr. Purshottamdas.*—Since a long time: since 1926 my firm have been appointed as agents of the German syndicate.

*President.*—Are there other agents?

*Mr. Purshottamdas.*—Yes.

*Dr. Matthai.*—You are talking of magnesium chloride?

*Mr. Purshottamdas.*—Yes.

*President.*—Have you got a record of the import prices?

*Mr. Purshottamdas.*—Yes: we have.

*President.*—We shall be glad to have it. Magnesium chloride is imported entirely from Germany?

*Mr. Purshottamdas.*—Yes, mainly.

*President.*—And the other chemicals?

*Mr. Purshottamdas.*—Some chemicals come from Germany, some from America and so on.

*President.*—Can you give us the prices of the chemicals in which you deal?

*Mr. Purshottamdas.*—You mean prices for 1926 and 1927?

*Dr. Matthai.*—Since 1926 up to date. Please let us have the prices of all the heavy chemicals into which we are enquiring.

*President.*—Do you import any Glauber's salt?

*Mr. Purshottamdas.*—No.

*President.*—Epsom salt?

*Mr. Purshottamdas.*—I don't, but we get the prices from time to time.

*President.*—Give us the prices of the salts mentioned in the Government of India Resolution, if you have actually done business in them.

*Mr. Purshottamdas.*—Yes, I will.

*President.*—Is this syndicate still in existence?

*Mr. Purshottamdas.*—Yes.

*Dr. Matthai.*—When you say you are importing from the syndicate you mean you are importing from Chemikalien-Aktiengesellschaft?

*Mr. Purshottamdas.*—The syndicate has appointed several agents through whom they are doing business. I have got to buy through Chemikalien-Aktiengesellschaft but in any case the invoices are made by the syndicate and the contracts are being concluded by the syndicate. If I send a cable for 100 tons to-day it would be confirmed by the syndicate through their agent and the contract in original will be signed by the syndicate.

*Dr. Matthai.*—I suppose this company is a sort of commission agent.

*Mr. Purshottamdas.*—I think they were not in existence in the year 1926. These people were introduced in 1927.

*Dr. Matthai.*—Before that the syndicate itself did the business?

*Mr. Purshottamdas.*—Yes.

*Dr. Matthai.*—Since 1926 you have really been dealing with the syndicate either directly or indirectly?

*Mr. Purshottamdas.*—Yes.

*Dr. Matthai.*—Your impression is that the Indian product in point of quality is quite as good as the imported product?

*Mr. Purshottamdas.*—I should not contradict that.

*Dr. Matthai.*—But the colour is against it?

*Mr. Purshottamdas.*—So far as colour is concerned I cannot give you any definite information because I don't open them in my godown. When I get a document either against sales or otherwise they are sent to the consumer's godown or retained in ours as required.

*President.*—Is there any prejudice against the Indian product?

*Mr. Purshottamdas.*—There is.

*President.*—That in your opinion has nothing much to do with the quality?

*Mr. Purshottamdas.*—I should take it as prejudice simply.

*Dr. Matthai.*—That is to say, you have formed this opinion by having discussed the matter with the mill people who have actually used both products?

*Mr. Purshottamdas.*—Yes, certainly. They said "why should we buy the Indian stuff when we get the imported article at a cheaper rate"?

*Dr. Matthai.*—As a matter of fact the Indian product sells at a lower price in Ahmedabad compared with the imported article. Does this prejudice exist in the same measure both in Bombay and in Ahmedabad?

*Mr. Purshottamdas.*—Not in the same measure in Bombay as in Ahmedabad. There is more prejudice in Ahmedabad.

*Dr. Matthai.*—Do you sell in Ahmedabad?

*Mr. Purshottamdas.*—I sell the German organization's chloride in Ahmedabad.

*President.*—Is the prejudice real or simply to get a lower price?

*Mr. Purshottamdas.*—I should think so.

*President.*—If there was a difference in the quality even a difference of 8 annas I suppose would not have induced the mill to buy it.

*Mr. Purshottamdas.*—Quite so, but there are certain people who would never hear of using the Indian product.

*Dr. Matthai.*—Can you give us some idea as to how your actual selling prices are fixed. You add landing charges to the invoice price and if there is duty you add the duty and what else have you to add before you get the actual market price?

*Mr. Purshottamdas.*—My office being an import office I work at times on the commission basis. In such cases we do not take the goods to our godown. We simply hand over the documents to the buyer.

*President.*—There would be two c.i.f. prices, one would be your price c.i.f. and the other would be your price plus your commission.

*Mr. Purshottamdas.*—Whenever we work in the capacity of agents we give the manufacturer's price; where we act as principals we quote our own price.

*President.*—What we really want is the importer's price for these articles.

*Mr. Purshottamdas.*—I will give you.

*President.*—Give also for the magnesium chloride which is not mentioned in the resolution.



*Mr. Purshottamdas.*—I will.

*President.*—Do you sell magnesium chloride only to the textile industry?

*Mr. Purshottamdas.*—Yes.

*President.*—How many importers there are of magnesium chloride?

*Mr. Purshottamdas.*—To the best of my knowledge there are five or six in Bombay. There may be one or two more in Ahmedabad.

*President.*—Is it true that there is much competition amongst them?

*Mr. Purshottamdas.*—I am not faced with much competition because I am content with what I get!

**Mr. R. R. Desai.**

*Letter dated the 30th November 1928.*

**Re MAGNESIUM CHLORIDE CASE FOR PROTECTION.**

*Re Havero Trading Company Limited's statement of 21st November 1928.*

My attention has been drawn to the above statement published in the Bombay papers as part of the evidence tendered last week before the Board by Mr. Fuchsmann, General Manager of the Havero Trading Company, Limited, of Bombay.

I am vitally interested in this matter both on account of my partnership connection with the Pioneer Magnesia Works of Bombay, and more especially because of my first-hand knowledge and experience of introducing this very product of the Pioneer Magnesia Works, and pushing in the British and other foreign markets as per particulars given at page 10, part 41, our Company's printed answers to your questionnaire. In para. 7, Mr. Fuchsmann is pleased to remark that "the Indian Magnesium Chloride is darker in appearance and consumers prefer the German Magnesium Chloride, which is whiter and considered of purer quality" and in other places he also extols the German Chloride to the detriment of our Indian manufacture. I have no hesitation in challenging this claim which is not warranted by actual facts, inasmuch as out of several hundred tons marketed through my London Office (which is an old established firm of several years standing and reputation there), not a single complaint has ever been brought to my knowledge up to now. Not only that but that repeated orders have been received from the buyers. I say this from personal experience having only just returned from England, and although in consequence of our appearance in the British Market, Germany has already begun reducing rates, it is my firm conviction that given equal opportunity we shall soon be in a position to establish ourselves firmly there in spite of any empty boast. I shall consider it a privilege to appear and give evidence before the Board to substantiate my statement by documentary evidence if needed, upon hearing from you.

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**Indian Merchants' Chamber, Bombay.**

*(1) Letter dated 11th September 1928.*

With reference to the Resolution No. 199-T-(8), of the Government of India, Department of Commerce, dated 16th July 1928, on the above subject, I am directed by the Committee of this Chamber to submit hereby their views on the same:

. . . . .

While we recognise the necessity of giving full protection to the manufacture of acids and heavy chemicals therefrom, my Committee would also press the attention of the Tariff Board to the case of certain other industries for which raw materials are found in abundance in this country and which can be worked into finished marketable products without the assistance of heavy acids.

As an instance, my Committee would like to point out the case of magnesium chloride, which is one of the most important chemicals required for sizing in textile industries. It seems that magnesium chloride is recovered

as a by-product in German chemical works and the cost of manufacture, it being a by-product, in Germany, is so low that it is effectively able to stand in competition with Indian manufactured articles. In addition to this, two new factors have operated very seriously to determine the continuance and existence of this industry in India. German manufacturers have reduced their prices to such a low figure that fair competition has become an impossibility. It is a clear case of dumping. Besides this foreign attempt to kill our nascent industry, the removal of import duty, this chemical being classed among stores for textile industry, has seriously threatened the continuance of its manufacture in this country. In this connection, my Committee would draw your attention to the fact that the cost of magnesium chloride to the total cost of finished piecegoods is so low that any protection granted to magnesium chloride would not, in any way, materially affect the cost of production of piecegoods in India.

My Committee, therefore, would emphasise the necessity of giving due and reasonable protection in such cases where large European and American combinations by reducing their prices to a lower figure than our cost of manufacture, force our home-made articles to be sold at ruinous prices. Protection in such cases should be regardless of the magnitude of an industry and regardless of its immediate purposes.

The most essential factor in the growth and development of chemical industries in this country is a co-ordination of all chemical industries. For in innumerable ways the protection of one chemical in smaller or larger quantities help the establishment, development and encouragement of other industries, arts and crafts in this country. The use of chemicals is absolutely necessary in almost all the industries and it may safely be said that on the development of chemical industry, depends the prosperity of the country; it has been time after time pointed out in Western countries that the measure of a country's prosperity is the measure of the development of its chemical industries. For this reason, my Committee are strongly of opinion that even at the cost of a sacrifice, if sacrifice is necessary, full protection should be granted to all chemical industries.

As a broad general principle, my Committee are against granting of protection to such chemical industries which can be established and developed in India with the help of raw materials available in abundance in India and in the development of which there is no dumping or running down of prices by the foreign manufacturers, but my Committee would point out that in certain cases even where abundant raw materials are available, new industries will require temporary protection if the case is made out by them that the training of men and general trained labour required for their particular industry, are not easily available in India.

A new industry until it has built up its reserves has also to consider the higher cost of imported machinery and plant. These factors must also be taken into consideration in determining whether any particular chemical industry stands in need of protection during its early career.

Another very important factor that operates against the development of Indian chemical industries is lack of transport facilities and high railway freight rates on chemicals. For the furtherance of chemical industry, special low rates must be given for the haulage of chemicals from the factories to the principal markets, particularly in the case of acids, explosives and fertilisers. My Committee would like to point out that in countries which own their own mercantile marine, the shipping companies have to carry the manufactures of the country at special rates fixed by the Chambers of Commerce or by Governments. If such facilities are granted and chemicals are carried by coastal steamships companies at lower rates, it would be possible for our chemical companies established at Ports to sell their product and stand effectively in competition in the market of entry of foreign chemicals.

(2) *Letter dated the 28th November, 1928, from Kapilram H. Vakil, Esquire.*

With reference to the request of the President for German Chemical Prices, I beg to give below the prices ruling in October 1928, which I have been able to obtain for you.

	Marks per 100 Kilogram.
•            •            •            •	
Magnesium Chloride . . . . .	9
•            •            •            •	

The above quotations are for Chemicals sold in the open market in Germany, Hamburg, irrespective of their destination for inland or overland use.

## THE INDIAN MERCHANTS' CHAMBER.

B.—ORAL.

**Evidence of Messrs. KAPILRAM VAKIL, Dr. VENKATRAO and J. K. MEHTA recorded at Bombay on Friday the 23rd November, 1928.**

*Preliminary observations made by the President.*

*President.*—Mr. Mehta, I should like to say that when we asked the Chamber to appear, we wanted the Chamber's views on the questions of policy.

*Mr. Mehta.*—Yes.

*President.*—But I see that you are giving us two witnesses who are supposed to be experts and who are in some way interested in the enquiry.

*Mr. Mehta.*—But they are members of our Chamber.

*President.*—That is perfectly true. The fact that they are members of the Chamber doesn't make them represent the Chamber on the general questions of policy.

*Mr. Mehta.*—We have appointed them as representatives.

*President.*—You have raised certain questions of policy in the representation. I am afraid those questions of policy I cannot discuss with these witnesses.

*Mr. Mehta.*—We could not send witnesses who have no knowledge of these technical questions. We thought that the Board would ask technical questions.

*President.*—As regards the technical evidence we should welcome any evidence that is produced before the Board. We are always grateful for that sort of assistance, but when we examine a Chamber of Commerce we expect it to be represented by the Officers of the Chamber who are not directly interested in the result of the enquiry.

*Mr. Mehta.*—But there was no other help. We wanted to send gentlemen who could combine knowledge both with regard to the policy and with regard to technical matters. It is no use sending gentlemen who would not be able to distinguish magnesium chloride from any other substance.

*President.*—I welcome this assistance, but at the same time the Board would expect that those officers of the Chamber who are really in charge of the policy and who formulate the policy of the Chamber should come and assist the Board.

*Mr. Mehta.*—Without having any technical knowledge.

*President.*—I want to discuss the general questions of policy which you raise in your representation.

*Mr. Mehta.*—Last year it was a coincidence that Mr. Walchand Hirachand who had a perfect grasp of questions like cinema or matches was the President of the Chamber and yet he was not interested in any of these industries. It was a perfect combination, but these combinations are not forthcoming every now and then.

*President.*—I don't think you have grasped my point. The point is we want the considered views of the Chamber on the larger questions of policy and not on technical matters upon which we should have experts' views. I should examine these witnesses as experts, but as you yourself say they won't express the opinion of the Chamber on technical matters, but their own personal opinions.

*Mr. Mehta.*—So far as our representation goes, they will express the opinion of the Chamber.

*President.*—They won't control the policy of the Chamber.

*Mr. Mehta.*—As representatives they are.

*President.*—You understand the difference, don't you? They might just as well have appeared before me as ordinary witnesses. When we addressed the Chamber, we wanted the views of the Chamber on general questions and you have rightly adopted that attitude in your representation.

*Mr. Mehta.*—These gentlemen have been entrusted with the work of representation both on matters of policy as well as on matters of technical details.

*President.*—I must tell you that I don't think you treated the Board fairly on that point. I do feel that.

*Mr. Mehta.*—Are we to take it that with regard to all such questions, you don't want representatives conversant with technical matters also?

*President.*—Yes, along with the officers of the Chamber who represent the policy of the Chamber. On previous occasions when we examined the Bengal Chamber of Commerce, they didn't bring any experts. Either the President or the Vice-President appeared. The same thing happened as regards the Indian Merchants' Chamber. At the same time they brought other people who understood the technical aspect. Really we do want to know the opinion of the Chamber on the larger issues. I shall examine them on points on which they can give their personal opinion and then it is for the Chamber to consider whether it really wishes to express any opinion on the larger questions of policy. Those officers of the Chamber who really control the policy of the Chamber should give evidence.

*Mr. Mehta.*—Thank you very much.

*President.*—You must not imagine that I am not appreciating the value of the experts whom you are producing. We are welcoming them. There are two aspects of the question and we are very grateful to you for having given us the benefit of the experts' evidence. As I say, I cannot examine them on the questions of policy.

*Mr. Mehta.*—Why can't you?

*President.*—Unless the Chamber binds itself to accept their views as theirs.

*Mr. Mehta.*—When we have sent them as our representatives, it is presumed that our Committee are bound by their expressions of opinion.

*President.*—It would not be regular.

*Mr. Mehta.*—How long are you staying here?

*President.*—We are staying here for some time.

*Mr. Mehta.*—If you like you can postpone our examination.

*President.*—I am very much interested in the expert's evidence. We have read Mr. Vakil's report and notes. I do wish to examine him on these points as well as Dr. Venkat Rao.

*Mr. Mehta.*—With regard to the other questions of policy, I will explain to the Committee.

*President.*—Supposing you put forward some general proposal, if we are able to say "this is the considered view of the Chamber and is supported in evidence by its responsible officers", it would go a much longer way.

*Mr. Mehta.*—Generally whenever our Chamber sends our representatives we give them the whole authority of expressing our opinion so far as the representation is concerned.

*President.*—I may tell you that we have examined other Chambers of Commerce. Generally the Chairman appeared though he didn't know anything about the technical aspects of the enquiry.

*Mr. Mehta.*—We also generally do it, but with regard to this particular question it is a very technical question.

*President.*—I don't wish to examine them on technical questions.

*Mr. Mehta.*—It is due to some misunderstanding on our part.

*President.*—I will confine myself to-day to the technical points, but if the Chamber wishes to give any evidence, we shall give another opportunity.

*Mr. Mehta.*—Yes.

*Mr. Vakil's experience in Chemical Industry.*

*President.*—Mr. Vakil, I understand that you have specialised in Chemistry.

*Mr. Vakil.*—I have.

*Dr. Matthai.*—What degrees do you hold?

*Mr. Vakil.*—I hold first of all the degree of Master of Technology of the Manchester University, I am a Fellow of the Institute of Chemistry of Great Britain and also a Member of the Institute of Chemical Engineers of Great Britain. Those are besides others my chief academical qualifications.

*Dr. Matthai.*—Did you have all your practical training in England or were you also on the Continent?

*Mr. Vakil.*—Almost entirely in England.

*Dr. Matthai.*—You have first hand experience of conditions in the Chemical industry in Germany.

*Mr. Vakil.*—If you will kindly allow me to explain, I will do so. I don't think there is a Chemist in India—I may be pardoned for saying so—who has as much privileges and opportunities as I had of studying all branches of Chemistry in relation to Indian requirements. For nearly 6 years I was the Chief Consulting Chemist and Chemical Engineer attached to the Tata's Head Office and the Tata Engineering Co., Ltd.

*President.*—When was this?

*Mr. Vakil.*—From the year 1918 to 1923. In this connection I may say that during these years I had the opportunity of going several times to England, Germany, France, Holland, Italy and various other countries specially for the purpose of getting inside informations regarding Chemical industries which could not be obtained from ordinary sources.

*Dr. Matthai.*—What aspects of the Chemical industry were you in touch with when you were at the office of Tatas?

*Mr. Vakil.*—Problems of a variety of nature.

*Dr. Matthai.*—Was it largely the question of bye-product recovery?

*Mr. Vakil.*—Not only bye-products, but also heavy chemicals.

*Dr. Matthai.*—In what connection did the question of heavy chemicals come up?

*Mr. Vakil.*—This question was considered by Tatas on many occasions. Without disclosing information which I was in a privileged position to acquire, I may say, Tatas at one time were in association with big millionaire groups in England and America for various schemes which I had to examine for them side by side in some cases, with the European Experts and Indian experts and in some cases I had to prepare my own reports on their schemes.

*Dr. Matthai.*—Without disclosing any secrets of the firm, can you tell us what were the sort of heavy chemicals that you were concerned with?

*Mr. Vakil.*—At one time the transference of the Eastern Chemical Company was proposed. Another time the establishment of heavy chemicals at Jamshedpur was discussed. A third time the manufacture of explosives required for mining and general purposes in India was discussed. At another time the establishment on a very large scale of heavy chemicals using electrolytic power was discussed. At another time I paid also a special visit to America in connection with the establishment of soda ash industry and other chemical industries. In obtaining these informations Tatas have spent several lakhs of rupees. I don't think there is a chemist in India who can say that I am not in possession of information from first hand enquiries as much as any other. In some cases we had to spend very lavishly to get most

inside information. In one particular case especially in the manufacture of alkalies and soda ash, I may say that Tatas spent Rs. 75,000 to Rs. 80,000 to obtain that information.

*Dr. Venkat Rao's experience in the industry.*

*President.*—Dr. Venkatrao, you are connected with Messrs. Powell and Company.

*Dr. Venkatrao.*—Yes.

*President.*—Are you their expert?

*Dr. Venkatrao.*—I am a partner.

*President.*—Mr. Powell is interested in pharmaceutical works.

*Dr. Venkatrao.*—Yes.

*President.*—We are not enquiring into this just now. Are they connected with heavy chemicals?

*Dr. Venkatrao.*—No.

*President.*—Of course, the Chamber has raised that question. The whole point is this: if you are interested in drugs, it would be advisable for you to ask for a reference on that point. I may explain here that though these 11 heavy chemicals are mentioned, we are not confining our enquiry merely to these 11, but they must reasonably compare with heavy chemicals. If you make a pill, for instance, we can't make an enquiry as regards that in connection with heavy chemicals.

*Dr. Matthai.*—Do you make any sulphuric acid?

*Dr. Venkatrao.*—We don't make any of the heavy chemicals. I have not come on behalf of Messrs. Powell and Company, but I have come here on behalf of the Chamber.

*President.*—You make surgical instruments and appliances. Messrs. Powell and Company are very well known. At present we are enquiring into heavy chemicals.

*Dr. Venkatrao.*—There is one point on which I wish to draw your attention. Government have given some facilities in preparing tinctures by levying a small duty. On foreign tinctures Government are charging about Rs. 21-12-0 per proof gallon and on Indian tinctures they charge only Rs. 5. Had it not been for this concession—I had a talk with the Chamber the other day—some of these manufactures would have been finished and gone. It is only an instance just to quote.

*President.*—I don't think the Government have ever said that they would not refer to the Board the question of other chemicals, but the attention of the Government, as far as I know, have never been drawn to it.

*Dr. Venkatrao.*—Another thing that I wanted to draw your attention to was to the Food and Drug Act. I wonder whether the Tariff Board could make any recommendation with regard to that. The Chamber is fighting for the Food and Drug Act.

*President.*—The Tariff Board's position is rather peculiar. It cannot initiate an enquiry.

*Dr. Venkatrao.*—We have been already fighting with the Government with regard to Food and Drug Act.

*President.*—When a reference is made in general terms, we interpret the reference as liberally as we can. We cannot start an enquiry unless the matter is referred generally or specially to us. Mr. Vakil you know alkalies are hardly manufactured in this country just now.

*Mr. Vakil.*—Yes.

\* \* \* \* \*

#### *Magnesium Chloride.*

*President.*—We will now go on to magnesium chloride. As regards analysis, can I use page 12 of your book?



*Mr. Vakil.*—Certainly, Sir.

*President.*—In this analysis that you have given the quantity of magnesium chloride is about the same, as a matter of fact it is a little more in the Kharaghoda works, 101·8 against 101·4 in the German.

*Mr. Vakil.*—Yes.

*President.*—The Kharaghoda magnesium chloride contains magnesium sulphate 1·41. Is that due to the fact that there it would have been extracted from the magnesium chloride?

*Mr. Vakil.*—Yes, it has already been taken out.

*President.*—They use this magnesium sulphate in the textile industry, do they not?

*Mr. Vakil.*—Yes.

*President.*—So that magnesium chloride to this extent that it contains magnesium sulphate would be better from the consumers' point of view?

*Mr. Vakil.*—It will make absolutely no change in the sizing preparation.

*President.*—But the fact that it contains 1·41 of magnesium sulphate, does it interfere with its use as sizing material?

*Mr. Vakil.*—Absolutely not.

*President.*—Would it account for the difference in the colour between the two?

*Mr. Vakil.*—No.

*President.*—What is it due to?

*Mr. Vakil.*—Colour is due probably to two or three causes—a little iron oxide, a little copper and thirdly they having no facilities to clarify the bitters.

*President.*—That does not affect its properties as sizing material?

*Mr. Vakil.*—Not at all.

*President.*—That is absolutely clear?

*Mr. Vakil.*—Yes, and you had the authority of Mr. Stones when this question was raised by the Tariff Board during the last enquiry.

*President.*—In your opinion the Kharaghoda magnesium chloride is of the same quality as the German?

*Mr. Vakil.*—Absolutely the same. There is no reason why there should be any ground for complaint, because there is absolutely no difference.

*Dr. Matthai.*—I put it to you this way. At present I understand in a very considerable part of the market here there is a prejudice against the Kharaghoda product which may be measured by about As. 8. That prejudice is a mere prejudice which has no reference whatever to differences in quality. It is a pure prejudice.

*Mr. Vakil.*—None whatever. It is a pure prejudice.

*Dr. Matthai.*—I understand you have been considering the question of improving the processes here.

*Mr. Vakil.*—We have solved that question.

*Dr. Matthai.*—But apparently magnesium chloride at Kharagoda retains the original colour.

*Mr. Vakil.*—We have now solved that question at great expense and great trouble.

*Dr. Matthai.*—Without perceptibly raising the cost of the product.

*Mr. Vakil.*—Yes, without appreciably raising the cost of the product, I agree to that.

*Dr. Matthai.*—I notice in your report you refer to treatment with zinc dust. Can you explain to me in non-technical language what it amounts to?

*Mr. Vakil.*—It amounts to this that we were up against the powerful combination and importers and we had to fight against prejudice. So my clients, the Pioneer Magnesia Works carried out the suggestion which I

made to them and we took into consultation two of the best well known experts in Germany. We sent a very large quantity of bitters to them and we went into the question as thoroughly as any big Syndicate would do, spent money on it lavishly and came to the conclusion that if we adopted a certain type of plant and changed the process of our manufacture in a certain way—that process was not hypothetical or empirical—but as it was carried out in Germany on our raw product—our product would be superior to the German product.

*Dr. Matthai.*—That is to say it is a question first of cleaning the original bitters.

*Mr. Vakil.*—Yes, and treating them in particular type of chemical plants.

*Dr. Matthai.*—Particular type of evaporators.

*Mr. Vakil.*—Boiling down and so on.

*Dr. Matthai.*—Are you in a position to estimate what the cost of the additional plant would be?

*Mr. Vakil.*—The second part of my report will tell you all about it.

*Dr. Matthai.*—I notice in your original report you were not able to get an estimate.

*Mr. Vakil.*—After that much work has been done.

*Dr. Matthai.*—Taking into account the additional capital expenditure that would be involved, do you think that the savings that you expect would result in a net gain to the works?

*Mr. Vakil.*—All that is given in the report. Every aspect of it is dealt with there.

*Costs in Kharaghoda works and in works in Germany.*

*President.*—I just want to understand a little about the costs given on pages 23 and 24 of your report. Without going into any figures the first thing that they do is to remove the potassium salts from the Stassfurt mines.

*Mr. Vakil.*—Yes.

*President.*—And then a certain residue is left.

*Mr. Vakil.*—Yes.

*President.*—Then they make this magnesium chloride in the crystal form.

*Mr. Vakil.*—Yes, from the bitters.

*President.*—Then they make it into fused magnesium chloride.

*Mr. Vakil.*—That is perfectly true.

*President.*—I understand there is very little demand for fused magnesium chloride. It is chiefly sold in the crystal form.

*Mr. Vakil.*—Yes.

*President.*—You have seen the manufacture of magnesium chloride in Kharaghoda.

*Mr. Vakil.*—Yes.

*President.*—I take it first they take the bitters from the Salt Works. Corresponding to that process is the removal of the residue. Do they call it bitters?

*Mr. Vakil.*—They call it mother liquor or end liquor.

*President.*—That corresponds to your bitters being taken out from the Salt Works.

*Mr. Vakil.*—Yes.

*President.*—I take it that this mother or end liquor is to be taken or pumped from some place to magnesium chloride.

*Mr. Vakil.*—Up to the point at which Kharaghoda starts with its raw material, they are exactly in the same condition as in Germany. In Germany they pump it up.

*President.*—What is the distance?

*Mr. Vakil.*—They are all very close together, round about the principal works.

*President.*—You have to carry it by rail.

*Mr. Vakil.*—Here we have got to carry 7 miles.

*President.*—Your cost would be more.

*Mr. Vakil.*—Here we adopt a primitive method of collecting. We collect it in tins. There it is discharged in 4" pipe.

*President.*—Seven miles distance is very small and a very small pipe might do it.

*Mr. Vakil.*—That aspect we have gone into. The cost of the pipe is not a factor that decides the possibility.

*President.*—You cannot collect the bitters in one place from which you can pump it.

*Mr. Vakil.*—Yes.

*President.*—Comparing the two processes at this stage, there is this additional cost.

*Mr. Vakil.*—Yes.

*Dr. Matthai.*—In Germany where these people make magnesium chloride, these are very near where the deposits occur.

*Mr. Vakil.*—Yes.

*President.*—From the mines this is taken to their works.

*Mr. Vakil.*—Within an area of 8 to 10 acres everything is there.

*President.*—They extract potassium salt and then they take end liquor. Therefore there is this advantage so far as the Indian industry is concerned. After the liquor is collected what happens in Germany?

*Mr. Vakil.*—In Germany from what I have seen it passes through vacuum evaporators and then the first stage of the process is finished. That is, the density has increased up to a certain point.

*President.*—That corresponds to what process here?

*Mr. Vakil.*—Here we have not got that process.

*President.*—After that what happens?

*Mr. Vakil.*—There are two deviations. They either recover bromine or they pass it on to the melting kettles. They recover a valuable product called bromine out of it. That recovery of bromine makes it possible for them to treat magnesium chloride as a substance of no consequence.

*President.*—From end liquor, would they get more bromine than you would get from the bitters if you were to recover it?

*Mr. Vakil.*—In Kharaghoda we get more bromine than in Germany.

*President.*—But the cost of recovery would be more.

*Mr. Vakil.*—We have not installed a plant for it.

*President.*—You suggest that.

*Mr. Vakil.*—Yes.

*President.*—I take it the cost of recovering bromine in this country would be about the same as in Germany.

*Mr. Vakil.*—Practically the same.

*President.*—What is the principal process applied?

*Mr. Vakil.*—Electrolytic chlorine. We have got to recover electrolytic chlorine, for passing that chlorine into the mother liquor or the end liquor, so that bromine is liberated.

*President.*—From the electrolytic chlorine.

*Mr. Vakil.*—Yes.

*President.*—That you will have to import.

*Mr. Vakil.*—We can make it from salt solution.

*President.*—You have not got electricity.

*Mr. Vakil.*—We can generate it. It is very little.

*President.*—Then we will assume that they recover bromine at present and the remaining end liquor goes on to the boiling pots.

*Mr. Vakil.*—Yes.

*President.*—That brings you to the second stage here.

*Mr. Vakil.*—Yes.

*President.*—You have got to start boiling.

*Mr. Vakil.*—Yes.

*President.*—They use coal, don't they?

*Mr. Vakil.*—Yes. They call it brown coal. It is very cheap and its calorific value is also comparatively low. They fire the brown coal under the kettles and they finish it off with the aid of that.

*President.*—What is 132 H. L.

*Mr. Vakil.*—H. L. means Hecto-litres. 132 H. L. is equivalent to 8·4 tons of brown coal. It works out to 5½ sh. per ton. That coal has a calorific value of 3,600 b.t.u. All that is given in the only German book on the subject.

*President.*—In Kharaghoda you use wood fuel. How does it compare?

*Mr. Vakil.*—It is very uneconomical.

*Dr. Matthai.*—There is no alternative at present in Kharaghoda.

*Mr. Vakil.*—At present there is none.

*President.*—You start boiling.

*Mr. Vakil.*—Then we finish it off.

*President.*—In both places.

*Mr. Vakil.*—In both places it is the same. After boiling we will allow it to settle down for some time, finish it off and fill the drums.

*President.*—It crystallises.

*Mr. Vakil.*—It goes into a fused mass.

*President.*—Here?

*Mr. Vakil.*—In both places.

*Dr. Matthai.*—I take it what happens in Germany is you convey this mother liquor to the factory, have it collected, then you evaporate it and when you reach a particular density, you stop there and you get the crystals.

*Mr. Vakil.*—Yes, we do.

*Dr. Matthai.*—And it is at that stage bromine is recovered.

*Mr. Vakil.*—There is an option. You can either recover the bromine at the beginning or at the end. The modern practice is to recover it at the beginning.

*Dr. Matthai.*—If you recover bromine, have you got to stop at this point or can you do it in one continuous process?

*Mr. Vakil.*—We have got to stop.

*Dr. Matthai.*—You take the crystals, heat them and that is how you get the fused chloride.

*Mr. Vakil.*—Yes.

*Dr. Matthai.*—Here what happens is the mother liquor is taken to Kharaghoda and then it is put into these evaporators. There is one long continuous process.

*Mr. Vakil.*—There are no evaporators at Kharaghoda. They simply boil it into the pans until they get the fused chloride.

*President.*—How much water would it contain when it is fused.

*Mr. Vakil.*—To begin with it contains roughly 50 per cent.

*President.*—When you have fused it?

*Mr. Vakil.*—6 molecules. That is the chemical combination.

*President.*—In describing this process in Germany, they will get the crystals first.

*Mr. Vakil.*—Yes. In fact Germans were very much surprised why we don't go in for crystals.

*President.*—What is the difference? Why don't you get crystals?

*Mr. Vakil.*—Because nobody would buy it from us.

*Dr. Matthai.*—The crystals are entirely used for cement.

*Mr. Vakil.*—They are being used in Germany for textile purposes.

*President.*—Is there any difference in the chemical formula of the two?

*Mr. Vakil.*—It is the same product.

*President.*—I take it in crystals the expenditure on fuel is less. Then why do you spend more fuel.

*Mr. Vakil.*—Up to the war we were dependent on foreign German magnesium chloride. If you want to pack the crystals, you want a number of packages. It was one of the ways by which they saved a little in packing. Science has gone a bit further. Now they are taking out 6 molecules of water and market anhydrous magnesium chloride with the result that they can save half the freight.

*President.*—How do you do that?

*Mr. Vakil.*—By passing in dry hydro-chloric acid.

*President.*—That will take out the moisture.

*Mr. Vakil.*—Yes.

*President.*—How would the atmosphere act on that afterwards? Would it again reabsorb the moisture?

*Mr. Vakil.*—Immediately you have extracted, you let it go into the packages and then seal and send them.

*President.*—What difference do 6 molecules make in weight?

*Mr. Vakil.*—On page 27 of my report I have described it. 203 parts of commercial fused magnesium chloride will contain 108 parts by weight of water. You can take out that 108.

*President.*—That would save them half the freight.

*Mr. Vakil.*—Yes, and half the packing.

*President.*—Why can't you do it?

*Mr. Vakil.*—There is no demand for that in India.

*Dr. Matthai.*—Why do you say there is no demand in India.

*Mr. Vakil.*—They will not buy it. Why should we go to the length of making anhydrous quality where they could easily use the crystal form which is the first stage. Why convert it into fused? Why take it through the other plant and convert it into anhydrous form? If we were an exporting country, that consideration would arise. Our mills refuse to use it in a crystal form.

*Dr. Matthai.*—Then the freight from Kharaghoda to Bombay market is a fairly considerable proportion of the cost.

*Mr. Vakil.*—Then the cost of recovery has to be taken into consideration.

*President.*—According to your statement given on pages 23 and 24 of your report the cost of making crystals into fused form is 10 marks per ton.

*Mr. Vakil.*—Yes.

*Dr. Matthai.*—The point that we want to consider is this. You give 15 marks as the actual cost at the works of fused chloride.

*Mr. Vakil.*—Yes.

*Dr. Matthai.*—Looking at the items that you give here, they cover the collection of the mother liquor, labour at the works and also fuel.

*Mr. Vakil.*—Yes.

*Dr. Matthai.*—I was looking at the corresponding figures of the Pioneer Magnesia Works. Their costs are as follows:—

	As. P.
Collection of bitters . . . . .	3 6
Works Labour . . . . .	2 0
Power and fuel (firewood) . . . . .	5 6
TOTAL . . . . .	11 0

May I take it that this 11 annas corresponds to 15 marks a ton that you give on page 24, a mark being equal to a shilling?

*Mr. Vakil.*—Yes.

*Dr. Matthai.*—In that case this 11 annas would correspond to 8 annas per cwt.

There is just another point. I notice that the two chemical engineers whom you consulted seem to draw attention to the fact that the present cost of fused chloride is slightly higher.

*Mr. Vakil.*—Yes.

*Dr. Matthai.*—If that were so, probably these figures might exactly coincide.

*Mr. Vakil.*—They will.

*President.*—There you are talking of transferring to calcination furnaces. Why do you call it calcination?

*Mr. Vakil.*—The process is called calcination.

*President.*—There is no lime.

*Mr. Vakil.*—No, that is a generic term.

*President.*—In a special sense it is used.

*Mr. Vakil.*—Yes.

*Dr. Matthai.*—It simply means intense heating.

*Mr. Vakil.*—Yes, the act of heating it up.

*President.*—It is never safe to compare the costs of one country with those of another.

*Mr. Vakil.*—No.

*President.*—Because as you know conditions are so very different. But we can compare the processes.

*Mr. Vakil.*—Yes.

*President.*—Does your manufacture involve more processes?

*Mr. Vakil.*—No.

*President.*—Your opinion is that they have got to go through precisely the same processes.

*Mr. Vakil.*—Precisely the same thing.

*Dr. Matthai.*—It comes to this that magnesium chloride is a by-product of potassium chloride in Germany whereas in India it is a by-product of sodium chloride.

*Mr. Vakil.*—It has always been so. It is a by-product of salt manufacture in France. In Italy it is a by-product of salt manufacture.

*President.*—We did not say that it was a by-product until Mr. Lalkaka came and called it a by-product. As my colleague has pointed out it is no more a by-product there than it is here.

*Dr. Matthai.*—As a matter of fact in enquiry after enquiry we have been up against the theory that some industrial product for which protection is asked is a by-product in some other country and that therefore it is out of the question to try and establish it by protection. We have had a great deal of this by-product theory.

*Mr. Vakil.*—The whole thing arises from the confusion which a lay mind has as to what to call and what not to call a by-product.

*The meaning of By-product.*

*President.*—A by-product in a sense is a thing which does not cost you anything to produce or so little that it does not matter and for which there is a market.

*Mr. Vakil.*—That is so.

*Dr. Matthai.*—It is really some residual product in an industrial process that can be sold without further treatment.

*President.*—That is called a by-product if it can be sold without further treatment. When it requires further treatment, it adds to the cost of manufacture and hence it cannot be called a by-product.

*Mr. Vakil.*—You can call the raw product a by-product of other industry but not the finished product.

*Dr. Matthai.*—That is the difference.

*Mr. Vakil.*—Am I at this stage at liberty to point out that some witness has pointed out that magnesium chloride is picked up as such from the pits? You have it in your written evidence yesterday that magnesium chloride as such is picked up from the pits.

*President.*—That was an expression of opinion by a witness who did not claim to be an expert, and we did not examine him on the technique of the subject.

*Mr. Vakil.*—That was all that I wanted to point out.

*President.*—That was partly due to the fact that Mr. Lalkaka himself propounded that theory in the first enquiry.

*Mr. Vakil.*—That was a mistake which I had to correct later.

*Other by-products from bittersns.*

*President.*—As regards the statement on page 61 regarding by-products from bittersns, what I want to know is that you want to extract other by-products. Those would be by-products now.

*Mr. Vakil.*—That might be called the full programme of the company. We will have to take it up one after the other in the order of importance.

*President.*—You first take out the salt and that salt is taken over by Government.

*Mr. Vakil.*—Yes, we let it go.

*President.*—Then you get epsom salt.

*Mr. Vakil.*—Yes.

*Dr. Matthai.*—As regards salt that you give here, is it the salt which is contained in mother liquor?

*Mr. Vakil.*—Yes, but we are not allowed to make use of it because it is really the property of Government.

*Dr. Matthai.*—Are you not paid for it?

*Mr. Vakil.*—No.

*Dr. Matthai.*—Supposing you improve your process and you are able to get a better sodium chloride?

*Mr. Vakil.*—What is the use of that expensive sodium chloride when you can get cheap sodium chloride.

*Dr. Matthai.*—Your main object is to attempt solar evaporation because it gives a more uniform quality to your bittersns. When you do that, you get salt incidentally, and if you get a price for it, it is much better for you.

*President.*—Government will not pay anything for it.

*Mr. Vakil.*—Government will pounce upon it.

*President.*—The Pioneer Magnesia Works are manufacturing salt from the ordinary salt. Supposing you start from bitterns would it make any difference in cost? Supposing you start from bitterns and you recover salt (and you have the licence to recover it) and you go on getting the different products, would that be cheaper for you than getting the residue from Government?

*Mr. Vakil.*—That would not materially help me.

*President.*—What I wish to know is that in the quantities that you have given what quantities of bitterns have you assumed?

*Mr. Vakil.*—100 tons of bitterns.

*Dr. Matthai.*—Is it 100 tons of bitterns or is it 100 tons of magnesium chloride?

*Mr. Vakil.*—I am sorry, that is magnesium chloride.

*President.*—You don't treat magnesium chloride.

*Mr. Vakil.*—It is our practice sometimes to calculate all quantities of materials used in terms of our principal product.

*President.*—You are not manufacturing those by-products—we will call them by-products—from magnesium chloride.

*Mr. Vakil.*—No, we are not.

*President.*—You start from bitterns.

*Mr. Vakil.*—Yes.

*President.*—You first of all take out salt.

*Mr. Vakil.*—Yes.

*President.*—This 18 tons of salt that you mention, what quantity of bitterns does that represent?

*Mr. Vakil.*—That quantity of bitterns which will give me 100 tons of magnesium chloride.

*Dr. Matthai.*—That is to say, 250 tons of bitterns.

*Mr. Vakil.*—Yes.

*President.*—This means that from the quantity of bitterns which will give you 100 tons of magnesium chloride you get 18 tons of salt. That is what Government get.

*Mr. Vakil.*—18 tons may belong to Government and the rest belongs to us. Supposing my cost of manufacture is Rs. 3 per cwt. I get credit for Re. 1 per cwt.

*President.*—That I understand. Where does magnesium chloride come in?

*Mr. Vakil.*—It does not come in. This refers to products other than magnesium chloride.

*President.*—There are 100 tons of magnesium chloride too.

*Mr. Vakil.*—Yes, in the bitterns. But I am not considering bitterns. I am considering something that is inside bitterns.

*President.*—What I want to know is this. I will say that the value of the products *ex-Kharaghoda* would be as under—

From bitterns equal to 100 tons of magnesium chloride—is that right?

*Mr. Vakil.*—Yes.

*President.*—From that quantity you will get 100 tons of magnesium chloride, 18 tons of salt, 9 tons of epsom salt, 2.3 tons of potassium chloride and 25 tons of Bromine.

*Mr. Vakil.*—Yes.

*President.*—That accounts for the whole of the bitterns. Will anything be left out afterwards?

*Mr. Vakil.*—Nothing.

*Dr. Matthai.*—There will be some quantity of sludge left at the end.

*Mr. Vakil.*—Yes.



*President.*—Is there a big demand for Bromine in this country?

*Mr. Vakil.*—No, not in this country.

*President.*—What will you do with it?

*Mr. Vakil.*—If we manufacture bromine we will be the first or the second in the manufacture of bromine in the Empire.

*President.*—Is there any demand for it?

*Mr. Vakil.*—There is such a large demand for it.

*President.*—What is it used for?

*Mr. Vakil.*—It is used in the manufacture of dye stuffs.

*President.*—Nobody manufactures dye stuff in the country.

*Mr. Vakil.*—We will have to export bromine if we make it. It is used in the rubber industry, in the preparation of drugs and photographic materials. It has got such a large number of applications and they are increasing day by day.

*Dr. Matthai.*—It is also used in connection with petrol?

*Mr. Vakil.*—Yes.

*President.*—It would not give very much after all, this 100 tons of magnesium chloride.

*Mr. Vakil.*—May I draw your attention to what the Government Chief Chemist in London has said that the Rann of Cutch promises to be a very important centre for the manufacture of bromine.

*President.*—You have got to manufacture magnesium chloride.

*Mr. Vakil.*—We have got to take out other by-products.

*President.*—At present the market for magnesium chloride is 5,000 tons.

*Mr. Vakil.*—No, it is 7,000 tons.

*President.*—Even if you take 7,000 tons, that would give you about 25 tons (850 × 70 lbs.).

*Mr. Vakil.*—Yes.

*President.*—That is not a very large quantity.

*Mr. Vakil.*—That is a very large quantity for bromine.

*Dr. Matthai.*—At present bromine is produced in the United States and in Germany.

*Mr. Vakil.*—Yes.

*Dr. Matthai.*—Is the market steadily increasing for it?

*Mr. Vakil.*—Yes, to a considerable extent.

*Dr. Matthai.*—If there is a recovery plant for bromine is that likely to be very expensive?

*Mr. Vakil.*—No, it is not. I have gone into that very carefully.

*Dr. Matthai.*—You have got all the estimates.

*Mr. Vakil.*—All the information is contained in that report of mine.

*President.*—The most important of these by-products is potassium chloride.

*Mr. Vakil.*—Yes.

*President.*—What I want to know is this. Of course you can say by mere chemical analysis how much of these different chemicals are contained in a thing.

*Mr. Vakil.*—Enormous work has been done and these processes are in practice in so many places—"the United States of America" is recovering.

*President.*—From common salt?

*Mr. Vakil.*—Where the salt works are.

*President.*—Our sodium chloride is peculiar. Those salts may contain other ingredients. I am asking you whether from the ordinary sodium chloride that you have these by-products can be recovered.

*Mr. Vakil.*—Yes, they are recovered on a very large scale.

*President.*—That is what I want to know.

*Mr. Vakil.*—The United States of America are recovering those by-products.

*President.*—Is that rock salt?

*Mr. Vakil.*—No.

*President.*—Have they got this evaporation process?

*Mr. Vakil.*—Yes, near San Francisco.

*Dr. Matthai.*—They have got brine in underground streams.

*Mr. Vakil.*—Yes. In the middle west somewhere near the Ontario Lake there are brine springs from salt deposits. They have it also in Japan and also in Italy which I understand belongs to Government.

*President.*—This is only an estimate of the costs.

*Mr. Vakil.*—Yes. This is the goal which we aim at. These are the possibilities.

*President.*—That would require some additional plant.

*Mr. Vakil.*—Yes. When I talk of the recovery of magnesium sulphate, I may say that I have seen with my own eyes in the South of France near Marseilles magnesium sulphate being produced by thousands of tons from a huge pit as big as this building, being residue of one season's crop in one year.

*President.*—What is the quantity of salt?

*Mr. Vakil.*—It does not contain more salt. They say that is the same as ours: all the world over sea water has the same average analysis, except in the case of the Dead Sea.

*Dr. Matthai.*—I notice that the German expert whom you consulted makes the suggestion that the scale at which you are producing is so small that with the exception of bromine it might not be very economical.

*Mr. Vakil.*—Very recently there was an interview from one of the biggest officers of the State there and in that interview he said that Germany would fight to the last man if again an attempt is made to take away from Germany its potassium deposits in the south west of Germany. Not a single intelligent man in Germany will ever encourage anybody to recover potash. You can recover potash easily out of sea water. For this potash France wanted Alsace Lorraine. France has got it to-day and it has put in 2,000 francs import duty on any potash that comes into France.

*President.*—Have they got potash deposits in France?

*Mr. Vakil.*—They recover it at the salt works near Marseilles and in Alsace.

*Dr. Matthai.*—It also occurred to me from the trend of your German expert's report that some of the suggestions they have made require to be taken with a certain amount of reservation!

*Mr. Vakil.*—He won't encourage this industry being started elsewhere.

*President.*—This potassium chloride, can it be used for fertilisers?

*Mr. Vakil.*—It is used for fertilisers.

*President.*—At present you are not making it?

#### *Change of Government policy advocated.*

*Mr. Vakil.*—No. A most primitive, most conservative and most ruinous policy of salt manufacture is carried on at Kharaghoda, and Government will not change that policy.

*President.*—Government methods of business are not always the most economical!

*Mr. Vakil.*—Unfortunately they are ruining it. May I point out in this respect while on this subject the opinion expressed before the Chemical Services Committee, 1920 . . . . .

*President.*—I remember about this. Nothing came out of it.

*Mr. Vakil.*—And nothing would come out of it so long as Government follows the present policy of salt manufacture at Kharaghoda.

*President.*—What is your suggestion?

*Mr. Vakil.*—They should hand over the business to private salt manufacturers and then they would get a better return than they are getting at present.

*President.*—Which is the nearest port from Kharaghoda?

*Mr. Vakil.*—Bhavnagar, about 150 miles.

*President.*—Is there a railway connection between the two?

*Mr. Vakil.*—Yes. You have to change the gauge at Viramgaon.

*Protection for limited period advocated.*

*Dr. Matthai.*—May I put a general question, Mr. Vakil? Having read your report very carefully I feel that if certain new methods and certain new kinds of apparatus are adopted at Kharaghoda, it might be possible for the Pioneer Magnesia Works without any kind of assistance to compete at the current price of imported magnesium chloride?

*Mr. Vakil.*—Certainly.

*Dr. Matthai.*—Don't you think, therefore, that once protection is granted there is some possibility that the incentive for improvements would go.

*Mr. Vakil.*—It won't go.

*Dr. Matthai.*—Because it does mean that a man must be prepared to take a certain amount of risk before he adopts the suggestions that you have made.

*Mr. Vakil.*—We want protection for three years. That is the time within which any new industry can establish itself if it is well thought out and well organized. But if you don't give us protection right from the very beginning, hardly we come into existence we would be throttled. The most pertinent point in this connection is this, that hardly had I started with the construction of the Okha Salt Works than this German syndicate comes along and puts a united front to crush me and my works and yet they say Germany has no intention of throttling the Indian industry! They realized at a very late stage that they had made fools of themselves.

*Price of German Magnesium Chloride.*

*Dr. Matthai.*—You have seen the terms of reference under which we are making this enquiry?

*Mr. Vakil.*—We have.

*Dr. Matthai.*—Are there any questions included in these terms of reference on which you would wish to express any opinion?

*Mr. Vakil.*—I was told that the price of German magnesium chloride in the home market is very low.

*Dr. Matthai.*—We were given 49 marks as the price.

*Mr. Vakil.*—That is not substantiated by facts. Magnesium chloride in the home market is sold at 9 marks per 100 kilos, that is 90 shillings per ton (hands in a copy of the Oil and Colour Trades Journal).

*President.*—Is that fused?

*Mr. Vakil.*—Yes, because it is for export purposes also.

*Consumption of Magnesium Chloride in India.*

*Dr. Matthai.*—There is just a point about which I wish to ask you. You said that the consumption in India is 7,000 tons. From the trade returns and the local production figures we get only 4,500 to 5,000 tons. Where do you get 7,000 tons?

*Mr. Vakil.*—My clients produce nearly 3,000 tons per year and 3,000 to 4,000 tons are the imports. That makes up 7,000 tons.

*Dr. Matthai.*—Imports for 1927-28 are only 2,000 tons.

*Mr. Vakil.*—Then I stand corrected.

*Dr. Matthai.*—I was wondering whether you had any information on the consumption of crystal chloride.

*Mr. Vakil.*—No.

*Mr. Mehta.*—May I put it before my Committee what you said this morning or are you going to write to us?

*President.*—I don't think we shall write. I have told you frankly what I have to say. I have not said it in any unfriendly spirit. When discussing a particular view held by the Chamber, it strengthens the position of the Chamber if we have them before us in the ordinary way.

*Mr. Mehta.*—I have explained to you the reason why we sent Mr. Kapilram Vakil and Dr. Venkatarao.

## THE INDIAN MERCHANTS' CHAMBER.

B.—ORAL—(contd.).

Evidence of Messrs. L. R. TAIRSEE, KAPILRAM VAKIL,  
Dr. VENKATRAO and J. K. MEHTA recorded at Bombay on  
Thursday, the 29th November, 1928.

*Magnesium Chloride.*

*President.*—On page 5 of the representation you say that magnesium chloride is recovered as a by-product in German Chemical Works.

*Mr. Vakil.*—We are not putting it forward.

*President.*—You suggest that the duty on magnesium chloride will not add to the cost, but you must remember that magnesium chloride is not the only thing which the industry uses and if everything that it uses is going to be taxed, the cumulative effect would be substantial, is not that so?

*Mr. Vakil.*—That is so.

*President.*—Therefore we have got to take that point into consideration. If the prices of all the articles which are used in the Textile industry into which we are enquiring go up, it should not matter, because in the long run prices will go down. But if you are to say that the rise in price of those articles will have no effect, that argument will not be sound. As regards magnesium chloride, I agree with you if you take that only into account, but we have got these 10 or 11 other chemicals. A difference of 3 or 4 per cent. in the cost is a heavy one in the Textile industry where the margin is small.

*Mr. Vakil.*—The Textile enquiry must have shown to you.

*President.*—It did nothing of the sort. It didn't show us anything on that ground. They didn't go into that question. They simply said that these were articles which were likely to increase the cost and they recommended the removal of the duty on those articles.

*Mr. Vakil.*—The percentage of chemicals used taking the total cost of production is extremely low.

*President.*—The whole trouble arises in this way that there are a number of articles used by the Textile industry. Now there are some for which you are asking protection, there are others for which protection may be given hereafter and there are others about which there is no question at all. There is really no means of finding out what exactly is the burden on the industry by the retention of these duties. We are asking the Millowners' Association to give evidence and I hope they will be able to give us something definite, but it was unnecessary for the Textile Board to go into that question.

*Mr. Vakil.*—You can throw a little light on the paradox—while one article was allowed to come in without any duty, why on another article a duty was retained.

*President.*—You mean copperas.

*Mr. Vakil.*—I am referring to zinc chloride and magnesium chloride.

*Dr. Matthai.*—As far as the Textile Tariff Board was concerned, they suggested that the duties on three articles, viz., zinc chloride, magnesium chloride and epsom, might be removed, and for some reason Government decided to remove the duty on magnesium chloride, but no action was taken on zinc chloride and epsom.

*Mr. Lalkaka.*—We were discussing this question and it was directly due to the list given by the Millowners' Association.

*President.*—We have got the Textile Tariff Board's report. They have given the cost per loom per day. Under stores they include everything which comes to 25 per cent. of the total cost, but we have not got any means of finding out what that means. Supposing 15 per cent. is put on 25 per cent. of the stores, it is a substantial amount.

*Mr. Vakil.*—It is an increase of 3.75 per cent.

*President.*—It is not a small sum to my mind.

*Mr. Mehta.*—The Committee of the Chamber were opposed to the removal of the duty on stores, because they observed that it would be tantamount to killing so many small industries which are just growing up.

*Dr. Matthai.*—I notice from the Millowners' Association's representation that they were not very keen on this kind of relief.

*President.*—I hope the representative of the Millowners' Association will explain to us what this means. I am not prepared to commit myself to the view that 3 or 4 per cent. is a small addition to the cost. It is a large addition to my mind. If you say in a few years' time it would disappear, that is another point.

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## THE BOMBAY MILLOWNERS' ASSOCIATION.

Evidence of Mr. J. TINKER, recorded at Bombay on Friday, the  
7th December, 1928.

### *Introductory.*

*President.*—You represent the Millowners' Association, Mr. Tinker?

*Mr. Tinker.*—Yes.

*President.*—What official position do you hold there?

*Mr. Tinker.*—I was a member of the Technical Advisory Sub-Committee which dealt with the application from the Chemical companies to consider whether the millowners would support their application for protection, and the only evidence I believe I have to offer is the result of that meeting in which it was decided to support the applications for protection.

### *Views of the Association.*

*President.*—Would you mind telling us what the result was of that meeting?

*Mr. Tinker.*—I will read it out to you and then send you copies later.  
(Read.)

*President.*—Was that report accepted by the Committee?

*Mr. Tinker.*—Yes.

### *Membership of the Association.*

*President.*—Then there is an end of that. As regards this Millowners' Association, how many members have you got? Are practically all the millowners in Bombay members of this Association?

*Mr. Tinker.*—More than 90 per cent. are.

*President.*—How many mills are there in Bombay?

*Mr. Tinker.*—84 I think.

*President.*—That is about 25 per cent. of mills in India, taking 300 as the number?

*Mr. Tinker.*—Yes.

*President.*—Is there any connection between you and the Ahmedabad Millowners' Association?

*Mr. Tinker.*—That is an entirely separate organization. I don't believe any member of this Association is also a member of that Association and vice versa.

*President.*—In some cases it might happen when a member of your Association has got a mill in Ahmedabad also?

*Mr. Tinker.*—For that mill I don't think he will be member of both the Associations and be inclined to pay two lots of fees or subscriptions.

*President.*—Is the subscription heavy?

*Mr. Tinker.*—I can't tell you off-hand, but I will send you the information if you want it. They are charged so much per 1,000 spindles and 100 looms.

*President.*—Is the decision of the Committee binding on all the members?

*Mr. Tinker.*—Yes.

*President.*—Is there often a meeting of the general body of members?

*Mr. Tinker.*—Frequently.

*President.*—And a report like this would be submitted to them?

*Mr. Tinker.*—This report I have just read out was submitted by the Advisory Sub-committee to the General Committee.

*President.*—Was it circulated to all the members?

*Mr. Tinker.*—I cannot just tell you that.

*President.*—What is the usual procedure when the Association has to express its opinion? Is it expressed generally through its committee?

*Mr. Tinker.*—If it is a technical point, that Technical Sub-committee will sit on this and report. The general committee will then consider it and then it is circulated to all members.

*Association's views about Magnesium Chloride industry.*

*President.*—There are 11 chemicals mentioned in our Resolution, Magnesium Chloride is not mentioned here, but would the same apply to Magnesium Chloride more or less?

*Mr. Tinker.*—We did not consider it in the sub-committee.

*President.*—We enquired into Magnesium Chloride two or three years ago and we examined the Millowners' Association then and they did not offer any serious opposition at that time and as the committee has not said anything now we presume the position remains more or less the same.

*Mr. Tinker.*—I presume so. The question has not been raised to my knowledge. In any case the increase in their cost would be negligible.

*President.*—It is for them to come forward and oppose. We have given them an opportunity and they have not come and therefore we can only presume that there is no opposition from them.

*Mr. Tinker.*—I will make a note of that.

*Dr. Matthai.*—The Millowner's Association said in 1925 that they did not object to protection being granted to the Magnesium Chloride industry.

*Mr. Tinker.*—I presume it still holds good then.

*President.*—When you say negligible, what do you mean?

*Mr. Tinker.*—It would not be easy to calculate because the various heavy chemicals are used in different quantities for different purposes. For instance one mill may use much larger quantities of certain chemicals for dyeing and bleaching than another mill which may have no dyeing, or only a small proportion of it.

*President.*—What is the bulk of the production in Bombay: is it unbleached?

*Mr. Tinker.*—Most of it is unbleached.

*President.*—So that it will affect them very little.

*Mr. Tinker.*—That is so. In fact the cost to the Millowners will be very small as against the possibility of the expansion of the indigenous industry, and it is possible for the Millowners to neglect it.



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