

INDIAN TARIFF BOARD

EVIDENCE

Recorded during enquiry regarding the

Grant of Supplementary Protection

TO THE

STEEL INDUSTRY



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CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH

1925

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I.—RESOLUTION OF THE GOVERNMENT OF INDIA,
DEPARTMENT OF COMMERCE.

(a) *Resolution No. 260-T. (37), dated the 18th June 1925.*

In their Resolution, No. 260-T. (15), dated the 27th November 1924, the Government of India accepted the finding of the Tariff Board that the Indian Steel Industry was at that date in need of further protection than was afforded by the duties imposed by the Steel Industry (Protection) Act (XIV of 1924), and expressed the opinion that bounties not exceeding Rs. 50 lakhs in the aggregate should be given to the industry for one year from 1st October 1924 to 30th September 1925. The Government of India also announced at the same time that, before the period indicated expired, the whole matter would be reviewed in the light of the circumstances then prevailing in order that it might be decided before the opening of the Autumn session whether it was necessary or advisable to place fresh proposals before the Assembly. In pursuance of this Resolution, a bounty is being paid, with the sanction of the Assembly, on rolled steel manufactured in India subject to certain conditions. The Tariff Board is now requested to re-examine the whole question in accordance with the undertaking given therein. They will consider—

- (1) whether in view of the conditions of the industry and of the probable level of prices of steel articles the protection afforded by the Steel Industry (Protection) Act to the manufacture of the articles enumerated therein should be supplemented beyond the 30th September 1925;
- (2) if so, for which of those articles is further assistance required and in what form and for what period should it be given.

2. Firms or persons interested, who desire that their views should be considered by the Tariff Board, should address their representations to the Secretary, Tariff Board, 1, Council House Street, Calcutta.

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

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

(b) *Resolution No. 38-T. (2), dated the 28th March 1925.*

The Government of India have received a number of representations to the effect that the development of certain industries in

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

2. Firms or persons interested in the above enquiry should address their representations direct to the Secretary of the Tariff 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 Director General of Commercial Intelligence, the Indian Trade Commissioner in London and the Secretary of the Tariff Board.

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

List of representations.

No.	Applicant.	Manufactured articles or works.	Rate of duty to which now subject. <i>A4 val.</i>	MAIN COMPLAINT THAT MATERIALS ARE ASSESSED AT HIGHER DUTIES.		Subsidiary request.
				Articles.	Duty.	
11	Messrs. Burn and Company, Calcutta.	<i>Underframes, and a vast list of component parts of wagons.</i>	10 per cent.	Steel sheets, bars, etc.	Varying rates recommended by Tariff Board generally about 20 per cent.	Effect of Steel duties on local manufacture of underframes, etc.

II.—PRESS COMMUNIQUÉ ISSUED BY THE TARIFF BOARD ON THE 1ST JULY 1925.

In the Resolution of the Government of India in the Commerce Department, No. 260-T. (37), dated the 18th June 1925, the Tariff Board were directed to re-examine the question of the protection required by the Steel Industry. The two points specifically referred to the Board were as follows:—

- (1) whether in view of the conditions of the Industry and of the probable level of prices of steel articles, the protection afforded by the Steel Industry (Protection) Act to the manufacture of the articles enumerated therein should be supplemented beyond the 30th September 1925;
- (2) if so, for which of those articles is further assistance required and in what form and for what period should it be given.

The steel articles which come within the scope of the Steel Industry (Protection) Act fall under the following heads:—

Rolled steel (including beams, angles, channels, plates, bars and rods, sheets black and galvanized, rails and fish-plates).

Tinplate.

Wire and wire nails.

Fabricated steel.

Railway wagons.

The present enquiry is limited to these articles, and it is not open to the Board to consider whether protection is needed by other articles which were not protected by the Act. The Board propose, however, when dealing with railway wagons, to investigate simultaneously the question which has been separately referred to them, what protection, if any, should be given to the manufacture of underframes for railway carriages.

2. When the Board last examined the circumstances of the steel industry they were limited by their terms of reference to the question what additional duties on certain kinds of steel were needed in order that the industry might enjoy the protection intended to be given by the Steel Industry (Protection) Act. On the present occasion the question what form the additional protection should take has been left entirely open, and they are free to consider whether additional duties or bounties best meet the circumstances of the case. In framing their recommendations, however, they must be guided mainly by the decision of the Government of India and the Legislature in January 1925 to proceed by way of bounties rather than by imposing additional duties. At the same time question may arise as to the source from which the money for the payment of the bounties is to be found, and the possibility of an

increase in the duties on certain kinds of steel cannot be altogether excluded.

3. The Board propose to take the oral evidence of the Tata Iron and Steel Company and the Tinsplate Company of India, during the week ending the 11th July, and the evidence of the engineering firms who are interested in fabricated steel during the following week. Other firms and persons who desire to give oral evidence regarding rolled steel, tinsplate, wire and wire nails or fabricated steel should inform the Board of the fact at the earliest possible date, and their written representations should reach the Board not later than Friday, the 10th July. The Board will also be prepared to consider written representations from persons and firms who do not wish to give oral evidence, provided they are received not later than the 17th July. The oral evidence regarding wagons and underframes will be taken during the week ending the 1st of August. All representations about wagons and underframes should reach the Board not later than the 24th July. During this enquiry the Board will hear the oral evidence in their office at No. 1, Council House Street, Calcutta.

III.—LETTER ADDRESSED BY THE TARIFF BOARD TO MESSRS. JESSOP AND COMPANY, LIMITED, CALCUTTA, DATED 2ND JULY 1925, REGARDING FABRICATED STEEL, A COPY OF WHICH WAS FORWARDED TO OTHER ENGINEERING FIRMS AND THE INDIAN ENGINEERING ASSOCIATION.

I am directed to reply to your letter No. *nil* C. I. R., dated 24th June 1925, on the subject of the enquiry which the Tariff Board have been instructed to make into the Steel Industry. The points which the Board have to consider are—

- (1) whether in view of the conditions of the industry and of the probable level of prices of steel articles the protection afforded by the Steel Industry (Protection) Act to the manufacture of the articles enumerated therein should be supplemented beyond the 30th September 1925;
- (2) if so, for which of those articles is further assistance required and in what form and for what period should it be given.

In accordance with these instructions the Board will be prepared to consider representations asking for additional protection for (a) fabricated steel and (b) railway wagons. The question whether underframes require protection arises under a separate reference, but it will be convenient to dispose of it at the same time as the wagons.

2. The Board will issue at an early date a short questionnaire about underframes, and a copy will be sent to your firm. As regards fabricated steel * * * the Board have not in their possession the information necessary for the preparation of a detailed questionnaire. In order to make good the claim to additional protection for fabricated steel the engineering firms will have to satisfy the Board that such steel is entering the country at prices substantially below the prices which the Board took as the basis of the proposals embodied in the Steel Industry (Protection) Act. It is desirable that the evidence on this point should be full, and that concrete instances should be given of the prices at which orders have been secured by European firms for fabricated steel to be erected in India. Subsidiary points which will have to be investigated are—

- (1) How far the fall in the price of fabricated steel is due merely to the rise in the rupee sterling exchange and how far to other causes, *e.g.*, a fall in the price of unfabricated steel.
- (2) From what countries the fabricated steel, which undersells the Indian fabricated steel, is imported and in particular whether during the last 18 months there has been increased competition from the Continent of Europe.

- (3) To what extent the costs of the engineering firms have been reduced by the fact that the price of Indian unfabricated steel has been much below the prices assumed in the Tariff Board's first Report. How far is it correct that in this respect the engineering firms in India are more favourably situated than the engineering firms in the United Kingdom, where the price of unfabricated steel has not fallen to the same extent.
- (4) In respect of what classes of fabricated steel foreign competition is most felt.

It will be desirable, also, that your representation should state clearly the amount of the protection asked for and the reasons which are held to justify it.

* * * * *

4. I am to enclose a copy of the Press Communiqué which the Board have published regarding the enquiry. You will see that it is the intention of the Board to take the evidence about fabricated steel during the week beginning on Monday, the 13th July, and it is this question which is the more urgent. * * * * * The Board will communicate to you the dates fixed for taking oral evidence as soon as possible, but it is desirable that representations, asking for additional protection to fabricated steel, should reach them at the earliest possible date (not later than Friday, the 10th July).

IV.—LETTER ADDRESSED BY THE TARIFF BOARD TO MESSRS. JESSOP AND COMPANY, LIMITED, CALCUTTA, DATED 2ND JULY 1925, REGARDING WAGON BUILDING IN INDIA, A COPY OF WHICH WAS FORWARDED TO OTHER FIRMS INTERESTED IN THE INDUSTRY.

I am directed to reply to your letter No. *nil* C. I. R., dated 24th June 1925, on the subject of the enquiry which the Tariff Board have been instructed to make into the Steel Industry. The points which the Board have to consider are—

- (1) whether in view of the conditions of the industry and of the probable level of prices of steel articles the protection afforded by the Steel Industry (Protection) Act to the manufacture of the articles enumerated therein should be supplemented beyond the 30th September 1925;
- (2) if so, for which of those articles is further assistance required and in what form and for what period should it be given.

In accordance with these instructions the Board will be prepared to consider representations asking for additional protection for (a) fabricated steel and (b) railway wagons. The question whether underframes require protection arises under a separate reference, but it will be convenient to dispose of it at the same time as the wagons.

2. The Board will issue at an early date a short questionnaire about underframes, and a copy will be sent to your firm.

* * * * *

3. As regards wagons the main questions are—

- (1) At what prices tenders for wagons have actually been made by firms in the United Kingdom and on the Continent of Europe.
- (2) To what extent the cost of manufacturing wagons in India has been reduced by the fall in the price of unfabricated steel and the rise in the rupee sterling exchange.

On the first point the Board will endeavour to obtain complete information from the Railway Department, but it is desirable that the wagon building firms also should give the information in their possession. As regards the second point it would be useful if an analysis of the cost of an A-1 wagon at current prices could be given for comparison with the analyses on pages 330-1 and 434 and 437 of Volume II of the Evidence taken in the first Steel Enquiry. For the rest, the Board will leave it to the wagon building firms to state the case for additional protection in their own way. They will no doubt draw the attention of the Board to any points in which difficulty has arisen owing to the restriction of the bounties on

wagons to Rs. 7 lakhs in any one year by the Steel Industry (Protection) Act.

4. I am to enclose a copy of the Press Communiqué which the Board have published regarding the enquiry. * * * * *
The evidence about wagons and underframes will be taken during the week ending the 1st August. The Board will communicate to you the dates fixed for taking oral evidence as soon as possible.

V.—LETTER ADDRESSED BY THE TARIFF BOARD TO
THE BENGAL IRON COMPANY, LIMITED, CALCUTTA,
DATED THE 11TH JULY 1925.

In accordance with the promise made when your representative, Mr. Fitzpatrick, was giving evidence before the Tariff Board on Friday, I am directed to say that the Board have considered the question whether they could accept evidence as to the pig-iron cost of the Bengal Iron Company on the basis that the information should be treated as confidential and should not be published. In communicating their decision I am at the same time to advert to certain points which seem to require further elucidation.

2. The contention of the Bengal Iron Company is—

- (1) that protection for steel places the Tata Iron and Steel Company in a position in which it can sell pig-iron at a price which leaves no margin of profit after meeting the cost of production or even involves an actual loss;
- (2) that the Tata Iron and Steel Company have in fact, as a result of the protective duties and bounties, sold pig-iron in large quantities at unremunerative prices, and that this is the cause of the heavy drop in prices both for pig-iron consumed in India and for pig-iron exported to foreign countries.

In order to make good this contention, it is necessary to establish by evidence certain points and to meet certain difficulties, and these will be mentioned *seriatim*. But there is one preliminary question which must be dealt with first in order to clear the ground. If protection to steel had been refused, and if, as a result, the Jamshedpur works had been completely shut down, then of course there would have been a far smaller quantity of pig-iron to be sold, and it might have been possible for the other manufacturers of pig-iron to maintain prices at the level at which they stood in the first half of 1924. In that sense it can be argued quite fairly that the grant of protection to steel has been unfavourable to the manufacturers of pig-iron. On the other hand, it is possible that the manufacture of steel at Jamshedpur might have been stopped, but the manufacture of pig-iron continued for the benefit of the debenture-holders, in, at any rate, the two blast furnaces most recently erected. In that case the quantity of Indian pig-iron placed on the market would have been no less than it is at present, and the position of the other manufacturers would have been no better. It would not, in the opinion of the Board, serve any useful purpose in this enquiry to consider whether the discontinuance of steel manufacture at Jamshedpur would have entailed the closing down of all the blast furnaces at that place. It is impossible to prove by evidence what the result of refusing protection to steel might have been, as regards the works at Jamshedpur, and it must remain an open question which opinion is the better founded. Apart from that, the Legis-

lature has decided that steel should be protected, and it is not open to the Board, within the terms of the reference made to them, to consider the larger issues on which they had to advise in their original enquiry. The passing of the Steel Industry (Protection) Act meant that the manufacture of steel in India was to continue, and it is on that basis only that the Board can proceed. Reference has been made to the possible result of withholding protection only in order to show that the Board understand what the contention of the Bengal Iron Company has been since the question was first mooted.

3. I am now to turn to the first branch of the argument that protection for steel may enable a steel manufacturing company to dispose of its surplus pig-iron at unremunerative prices. It is not quite clear what it would gain by doing so, unless indeed it had embarked on a campaign to drive its competitors out of the market altogether. It is conceivable, however, that a company which was able to sell its steel at a price which yielded a fair return on the capital investment might find it more profitable to sell a large quantity of pig-iron at a comparatively low price than a smaller quantity at a comparatively high price, but the essential point seems to be that the manufacture of steel should be profitable, whether the profits are the result of protection or arise in the ordinary course of business. If the profits on steel are small or non-existent, unremunerative prices for pig-iron can only result in additional losses. If, therefore, it is urged that protection for steel in India has led to an unduly low price for pig-iron, it would seem to be necessary to show that the protection given was effective in the sense that steel was sold at a profit, for if no profits were made on steel it is difficult to see how the Tata Iron and Steel Company could benefit by selling pig-iron at a loss. In considering this question, therefore, the Board will have to take into account the actual position at Jamshedpur during the year 1924-25, as regards the cost and selling price of steel. The profit and loss account of the Company shows that on steel and pig-iron together, after meeting works costs, head office expenses, and interest charges, the balance remaining was insufficient to permit of an allowance for depreciation so large as the Tariff Board considered necessary. The inference apparently is that, even with the bounties paid during the latter half of the year (amounting to Rs. 29 lakhs), the average price received for steel was no more than sufficient (if it was sufficient) to cover the all-in cost of production.

4. The second branch of the argument is that the protective duties and bounties are in fact the cause of the low level of prices of pig-iron. An important point here is whether in fact the prices of pig-iron (a) in India or (b) for export are below the level at which the manufacturer can earn a profit. So far as the Tata Iron and Steel Company are concerned, the Board will endeavour from the materials at their disposal to examine the question. They would be glad also to have before them in writing the views expressed on this point by Mr. Fitzpatrick in his oral evidence, for, when figures are in question, it is not always easy to do justice to the arguments used unless they can be studied at leisure. In addition, the Board

desire to emphasise again a point which was taken during the oral evidence. When a witness states that a certain price is unremunerative and unduly low, it is natural to enquire what he considers to be a fair price, or the lowest price which leaves any margin of profit, however small. The case of the Bengal Iron Company can hardly be complete unless they are prepared to give their views on this point, but the Board have neither the desire nor the power to press for an answer if the representatives of the Company judge it inexpedient to give one.

5. It is in connection with the point referred to in paragraph 4 that an enquiry was made whether the Bengal Iron Company were willing to inform the Board of the cost of production of pig-iron in their works. The question was asked partly because a comparison of the works costs at Kulti and at Jamshedpur might throw light on the question whether the present prices of pig-iron are unremunerative, and partly because a price which might be sufficient for one manufacturer might not suffice for another whose costs were higher. The Board do not think that information on this point which could not be published would be helpful to them, and unless, therefore, the Company can agree to publication, it will be better if the costs are not given. I am, however, to explain that it is only the total works costs which it is desirable should be used publicly, and it would not be necessary to publish the details. If the Company decide that the works costs can be given and treated as evidence in this enquiry, I am to ask that it may be stated clearly to what period they relate and, if more than one furnace was operating during that period, that the costs of each furnace may be stated separately. I am to add that if the Company are unable to agree to publication, the Board will nevertheless consider most carefully all that has been urged. The chief importance of publishing the actual cost is that unless this is done, it is open to any one to argue that the Bengal Iron Company find present prices unremunerative because their cost of production is higher than it is elsewhere. The publication of the real figures might dispel this impression.

6. The other points to which the Board attach importance may be more briefly referred to. In three cases they are facts which might suggest the inference that the fall in price of pig-iron should be ascribed to causes other than the payment of bounties on the manufacture of steel. They are as follows:—

- (1) The fact that the blast furnaces in India (after deducting the pig-iron absorbed in the manufacture of steel) have a productive capacity far exceeding the Indian consumption so that export on a very substantial scale becomes necessary.

Export had been going for several years before November 1922 (see page 146 of Volume III of the Evidence on the Board's first Steel enquiry), when the Indian Iron and Steel Company began to produce pig-iron. The two blast furnaces of this Company apparently added about 300,000 tons a year to the productive capacity

of the country (see page 147 of Volume III of the Evidence). The suggestion is that the very great increase in the output of pig-iron which followed would, in the ordinary course, have led to a very substantial fall in prices, both in India and for export, unless the manufacturers had entered into some arrangement to maintain prices by restricting the output.

- (2) The fact that from January to September 1924 the Tata Iron and Steel Company had 5 blast furnaces in operation and from October onwards only 4.

During the first five months of this period steel was not protected and the passing of the Steel Industry (Protection) Act early in June was not followed by an increase in prices, but by a decline in August and September. The protection intended to be given by the Act was therefore ineffective. During the nine months when 5 furnaces were in blast, the Company were unable to sell their output and stocks of pig-iron accumulated, until on September 30th they amounted to 134,000 tons. The accumulation of stocks, etc., on this scale might render it expedient to sell pig-iron at a sacrifice in order to clear them, but it is difficult to connect the accumulation of stocks with payment of bounties, since the 5th blast furnace was shut down at about the date from which the bounties became payable, and some weeks before it was known either additional protection would be given or not. The Tata Iron and Steel Company in fact took steps to restrict their production of pig-iron at the commencement of the period during which they have received bounties on their steel.

- (3) The fact that the fall in prices did not occur (so far as the the Board's information goes) until September or October 1924.

Up till then the Tata Iron and Steel Company had apparently tried to maintain the prices both of pig-iron and of steel and did not change their attitude until the necessity of reducing stocks became paramount. In these circumstances the fall in prices would seem to be due rather to the pressure of circumstances than to the deliberate adoption of a policy of price cutting in pig-iron as a result of profits on steel.

- (4) The fact that all blast furnaces of the Bengal Iron Company are smaller than the 4 blast furnaces most recently erected by the Tata Iron and Steel Company and the Indian Iron Steel Company and that three of them are not only of small capacity but have not been modernised.

This fact suggests that the cost of production in the Bengal Iron Company's furnaces might be higher than elsewhere and that a fall in prices might be more severely felt.

- (5) If the manufacture of pig-iron at Jamshedpur were to cease, or if a condition were attached to the continuance of the bounty that the sales of pig-iron by the Tata Iron

and Steel Company were not to exceed (say) 30,000 tons a year, what safeguard would there be against a combination of the other manufacturers to raise the price of pig-iron in India to the level at which it stood in the first half of 1924 or even higher?

7. I am to explain that the Board have written at length in order that the representatives of the Bengal Iron Company may understand clearly what is in their minds, and may have an opportunity of stating their case fully in the light of what has been said. They recognise that the written statement of the Company had to be prepared at very short notice, and they are conscious of the difficulty that sometimes arises of explaining clearly in oral examination the exact point on which an opinion is desired. I am to express the hope that what has now been said will facilitate the preparation of any supplementary statement the Company may wish to submit. The Board will welcome the Company's observations on all that has been said in paragraphs 3 to 6 of this letter, for it is only to elicit these observations it has been written at all.

8. In conclusion, I am to reiterate what has already been said in paragraph 2 of this letter. If the contention of the Bengal Iron Company were merely this that without protection for steel the manufacture of pig-iron at Jamshedpur could not continue, it would be outside the terms of reference and the Board could not consider it. But they are prepared to hear all that the Company can urge in support of their view—

- (a) that protection for steel may enable a steel manufacturing company to cut the price of pig-iron, and
- (b) that the present prices of Indian pig-iron are unremunerative and are due to the protective duties and bounties.

**Evidence regarding Rolled Steel, Tinplate
and Fabricated Steel.**

Witness No. 1.

THE TATA IRON AND STEEL COMPANY, LIMITED.

A.—WRITTEN.

Statement I.—Representation, dated 9th/10th June 1925, to the Government of India, Department of Commerce.

We have the honour to refer to the Government Resolution No. 260-T. (15), dated the 27th November 1924, paragraph 4 of which is quoted below:—

“ . . . They (the Government of India) are further of opinion that these bounties should be given for one year from 1st October last to 30th September next, that they should be subject to a limit of Rs. 50 lakhs and that before the period indicated expires, the whole matter should be reviewed in the light of the circumstances then prevailing in order that it may be decided before the opening of the autumn session whether it is necessary or advisable to place fresh proposals before the assembly.”

The Honourable Member for Commerce, in moving the Resolution that the bounty be paid on steel manufactured in India between the 1st October 1924 and 30th September 1925 subject to certain conditions, also stated that Government had in contemplation a review of the whole position in July and August 1925.

The Tariff Board have now addressed us as in the enclosed letter requesting certain statements and information in connection with the proposed enquiry and we are complying with their request. We have not, however, as yet either made any formal application to the Government of India for a further enquiry nor have Government issued any orders regarding this.

The prices of foreign steel entering India as compared with last year when we made our original application have decreased considerably. As an instance we may state that the present c.i.f. landed price of Continental bars imported into India is Rs. 129.16 as compared with Rs. 145.5 as stated in our letter No. S.G.-844, dated 12th August 1924, while exchange to-day stands at 1s. 6d. and has for some time stood at 1s. 5 $\frac{1}{8}$ to 3 $\frac{1}{8}$ as compared with 1s. 5.53d. in September last year. Full statements showing the prices realised by the Company and the prices of imported steel are being prepared for the Tariff Board and will be laid before them.

We also wish to invite the attention of Government to the price of rails imported into this country. The Tariff Board in their original report in view of the long term contracts into which the Company had entered with the Indian Railways did not recommend any increase in the duty on rails and recommended a bounty on their production of Rs. 32 per ton in the first year, Rs. 26 in the second and Rs. 20 in the third. In paragraph 116 of the first report of the Tariff Board it is shown that the reduction in the rate of bounty per ton was recommended for two reasons; firstly, because of the lower cost that might be expected from the new plant and, secondly, because it was expected that when the long term contracts expired the Company would be able to realise a higher price in competition with British Standard rails than was provided in the contracts. This latter expectation has not been realised. It is true that British Standard rails supplied from England would to-day cost, according to the prices quoted in the trade papers, Rs. 144.83 landed at Calcutta. This is based on the prevailing f.o.b. quotation of £8-10-0 per ton. We are, however, aware that rails can be purchased in England for a considerably lower figure and, in addition, we know that certain of the Indian Railways have purchased rails from the Continent at much lower prices. We can give the Government two instances showing how this operates. The East Indian Railway, according to our information, recently placed an order for 12028 tons of rails in Germany

and the Bengal Nagpur Railway, when we were renewing our contract for the present year practically insisted on a price of Rs. 124 per ton on the ground that they could purchase rails on the Continent as cheaply. This price compares with an average price of Rs. 125-8 which was the average price under the long term contracts. With the bounty at Rs. 26 per ton it yields a price of Rs. 150 for rails as compared with Rs. 181 contemplated in paragraph 116 of the first Report of the Tariff Board for supplies outside the contracts. As one third of our total production is rails it will be obvious how great the effect of such a difference may be. It is, therefore, apparent that the expectation that the Company would be able as time went on to obtain higher prices for its rails than were provided under the long term contracts was not correct and that it is more probable that the price will fall than that it will rise. We do not desire to lay any particular stress on this point, but we urge that it should be considered in deciding the extent of further assistance to be given to the Company.

For the reasons given we have the honour to request that the Government or India would be pleased to order that the further enquiry contemplated in the Resolution which we have quoted should now be made.

Statement II.—Letter, dated the 25th June 1925, to the Tariff Board.

We enclose herewith five copies each of statements giving the information about the Tata Iron and Steel Company, Limited, asked for in the memorandum enclosed with your letter No. 253 of 25th May addressed to us.

Please acknowledge receipt.

Enclosure I.

FORM I.

Statement showing production despatches and stocks from October, 1924 to May, 1925.

	Pig Iron.	Heavy rails 1st class.	Heavy rails 2nd class.	Big Mill structurals.	Bar Mill structurals.	Bar Mill bars.	Fish-plates.	Light rails.	Sheet Bars.	Plates.	Black sheet.	Galvanised sheet.	Total finished steel (columns 2 and 4 to 11).
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
1924.													
Stock on 30th September	134,412	1,985	12,914	7,642	3,709	10,233	1,382	238	2,331	3,765	82	..	31,307
Production during October	46,881	14,985	2,555	..	772	2,077	664	459	581	1,418	502	..	22,068
Despatches during October	42,931	10,675	690	1,570	798	1,844	585	174	2,550	1,685	..	..	19,876
Stock on 31st October	198,362	6,295	14,779	6,072	3,688	11,066	1,461	523	362	3,498	584	..	33,549
Production during November	47,170	12,338	1,659	3,130	1,257	2,424	768	256	1,056	1,147	697	338	23,073
Despatches during November	51,076	13,820	2,606	1,842	1,091	3,056	517	219	830	1,440	529	1	23,344
Stock on 30th November	134,456	4,813	13,832	7,360	3,864	10,434	1,712	560	588	3,205	752	337	33,278
Production during December	47,285	15,362	2,300	638	916	2,182	614	291	3,280	1,212	1,071	346	25,566
Despatches during December	55,354	15,246	1,850	1,521	1,128	3,285	864	326	2,744	1,834	580	214	27,528
Stock on 31st December	126,387	4,929	14,282	6,477	3,642	9,331	1,462	525	1,124	2,583	1,243	469	31,316
Production during January	52,029	14,168	1,779	3,852	559	3,741	713	191	3,887	1,295	1,282	498	29,188
Despatches during January	64,984	13,422	2,278	1,666	1,437	3,231	620	257	4,005	733	1,432	530	26,803
1925.													
Stock on 31st January	113,432	5,675	13,783	8,163	2,764	9,841	1,555	459	1,066	3,145	1,093	428	33,701
Production during February	49,294	12,625	1,771	1,345	796	3,430	487	280	2,771	1,263	1,472	612	24,469

FORM I.

Statement showing production despatches and stocks from October, 1924 to May, 1925—contd.

	Pig Iron.	Heavy rails 1st class.	Heavy rails 2nd class.	Big Mill structurals.	Bar Mill structurals.	Bar Mill bars.	Fish- plates.	Light rails.	Sheet Bars.	Plates.	Black sheet.	Galvanised sheet.	Total finished steel (columns 2 and 4 to 11).
	1	2	3	4	5	6	7	8	9	10	11	12	13
1925.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Despatches during February	43,082	14,995	1,997	2,011	1,082	3,411	800	264	3,627	1,418	1,486	505	29,094
Stock on 28th February	119,844	8,305	13,557	7,497	2,478	9,860	1,242	475	150	2,990	1,079	535	29,076
Production during March	42,128	9,340	1,629	1,868	1,822	2,769	542	454	4,034	1,330	1,910	643	23,069
Despatches during March	44,818	11,232	1,427	2,593	1,350	3,428	277	511	4,047	1,372	1,017	640	25,827
Stock on 31st March	116,952	1,413	13,759	6,272	2,450	9,201	1,507	418	137	2,948	1,972	538	26,318
Production during April	45,531	8,068	1,539	3,001	1,976	3,007	346	189	4,206	1,547	2,014	599	24,354
Despatches during April	45,814	8,350	487	2,873	1,358	3,481	534	298	4,219	1,683	1,618	620	24,394
Stock on 30th April	116,669	1,181	14,811	6,400	3,068	8,747	1,319	309	124	2,812	2,368	517	26,278
Production during May	49,684	7,234	1,959	1,620	400	4,517	156	668	5,533	1,708	1,862	883	23,698
Despatches during May	42,642	6,513	904	3,321	1,489	5,657	317	264	4,624	1,964	2,203	901	26,352
Stock on 31st May	123,711	1,852	15,866	4,699	1,979	7,607	1,158	713	1,083	2,556	2,027	499	23,624
Out of stock on 30th Sep- tember 1924 quantity on order awaiting shipment.	83,504	1,985	87	4,731	1,342	3,033	219	190	2,150	1,449	45	..	15,144
Out of stock on 31st May 1925 quantity on order awaiting shipment.	37,835	1,852	47	873	1,083	5,033	237	445	650	782	423	498	11,378

Enclosure II.

FORM II.

Statement showing orders booked for certain classes of steel from October 1924 to May 1925.

	HEAVY RAILS.		HEAVY RAILS 2ND CLASS.		FISHPLATES.		LARGE CIRCULAR PLATES.		SMALL CIRCULAR PLATES.		LIGHT RAILS.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
1924—												
October	4,253	125-90	118	118-82	112	163-60	51	175-49	85	202-82	212	147-72
November	10,578	137-50	844	116-07	177	159-97	..	..	54	201-48	245	146-74
December	221	122-50	587	122-52	14	176-33	..	..	204	200-04	69	133-22
1925—												
January . . . . .	..	..	892	75-75	10	193-69	..	..	49	200-00	116	130-60
February	62,147	124-98	551	74-34	2,178	155-68	..	..	34	204-08	664	131-81
March	5,275	129-69	901	65-85	233	158-91	18	135-00	..	..	223	131-09
April	5,214	132-66	226	73-57	254	167-23	29	135-00	..	..	279	130-74
May	17,942	126-44	6,822	66-00	799	146-76	362	135-00	..	..	548	130-24
TOTAL 8 MONTHS	105,630	127-13	10,436	74-10	3,771	155-39	460	139-49	426	201-23	2,366	134-22

Statement showing the orders booked for each month from October, 1924 to May, 1925.

HEAVY STRUCTURAL.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>October, 1924.</i>										
Government	9	169-69	..	..	9	169-69	9	169-69	9	169-69
Railways	28	154-12	..	..	28	154-12	28	154-12	28	154-12
Engineering Firms	858	154-11	..	..	858	154-11	858	154-11	858	154-11
Dealers . . . . .	..	..	..	..	..	..	..	..	..	..
Miscellaneous	158	151-25	..	..	158	151-25	158	151-25	158	151-25
TOTAL	1,053	153-83	..	..	1,053	153-83	1,053	153-83	1,053	153-83
<i>November, 1924.</i>										
Government	214	153-14	..	..	214	153-14	214	153-14	214	153-14
Railways	30	158-79	..	..	30	158-79	30	158-79	30	158-79
Engineering Firms	1,429	150-22	..	..	1,429	150-22	1,429	150-22	1,429	150-22
Dealers	339	153-82	..	..	339	153-82	339	153-82	339	153-82
Miscellaneous	20	142-33	..	..	20	142-33	20	142-33	20	142-33
TOTAL	2,032	151-16	..	..	2,032	151-16	2,032	151-16	2,032	151-16

FORM III.

HEAVY STRUCTURAL—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>December, 1924.</i>										
Government	185	152-41	..	..	185	152-41	185	152-41	185	152-41
Railways	33	158-91	..	..	33	158-91	33	158-91	33	158-91
Engineering Firms	570	152-47	..	..	570	152-47	570	152-47	570	152-47
Dealers	258	154-44	..	..	258	154-44	258	154-44	258	154-44
Miscellaneous	51	155-78	..	..	51	155-78	51	155-78	51	155-78
TOTAL	1,097	153-21	..	..	1,097	153-21	1,097	153-21	1,097	153-21
<i>January, 1925.</i>										
Government	105	158-42	..	..	105	158-42	105	158-42	105	158-42
Railways	29	156-06	..	..	29	156-06	29	156-06	29	156-06
Engineering Firms	664	145-56	772	154-39	1,436	150-33	664	145-56	1,436	150-33
Dealers	385	152-00	..	..	385	152-00	385	152-00	385	152-00
Miscellaneous Firms	30	149-51	..	..	30	149-51	30	149-51	30	149-51
TOTAL	1,213	149-03	772	154-39	1,985	151-16	1,213	149-03	1,985	151-16

FORM III.

HEAVY STRUCTURAL—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>February, 1925.</i>										
Government	15	161-75	..	..	15	161-75	15	161-75	15	161-75
Railways	104	158-43	..	..	104	158-43	104	158-43	104	158-43
Engineering Firms	707	144-20	..	..	707	144-20	707	144-20	707	144-20
Dealers	777	147-21	..	..	777	147-21	777	147-21	777	147-21
Miscellaneous	26	153-19	..	..	26	153-19	26	153-19	26	153-19
TOTAL	1,629	147-01	..	..	1,629	147-01	1,629	147-01	1,629	147-01
<i>March, 1925.</i>										
Government	19	163-20	..	..	19	163-20	19	163-20	19	163-20
Railways	313	155-72	..	..	313	155-72	313	155-72	313	155-72
Engineering Firms	1,267	145-56	1,485	133-15	2,752	137-24	1,267	145-56	2,752	137-24
Dealers	771	152-64	..	..	771	152-64	771	152-64	771	152-64
Miscellaneous	57	140-62	..	..	57	140-62	57	140-62	57	140-62
TOTAL	2,427	147-29	1,485	133-15	3,912	141-92	2,427	147-29	3,912	141-92

FORM III.

HEAVY STRUCTURAL—concluded.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>April, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways	136	154-20	..	..	136	154-20	136	154-20	136	154-20
Engineering Firms	1,500	147-47	3,235	133-78	4,735	138-10	1,500	147-47	4,735	138-10
Dealers	1,313	148-20	..	..	1,313	148-20	1,313	148-20	1,313	148-20
Miscellaneous	138	140-16	..	..	138	140-16	138	140-16	138	140-16
TOTAL	3,087	147-87	3,235	133-78	6,322	140-60	3,087	147-87	6,322	140-60
<i>May, 1925.</i>										
Government	1	170-00	..	..	1	170-00	1	170-00	1	170-00
Railways	7	157-82	..	..	7	157-82	7	157-82	7	157-82
Engineering Firms	356	143-52	251	145-22	607	144-20	356	143-52	607	144-20
Dealers	856	140-44	..	..	856	140-44	856	140-44	856	140-44
Miscellaneous	45	130-20	..	..	45	130-20	45	130-20	45	130-20
TOTAL	1,265	141-05	251	145-22	1,516	141-78	1,265	141-05	1,516	141-78

Statement showing the orders booked for each month from October, 1924 to May, 1925.

LIGHT STRUCTURAL.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>October, 1924.</i>										
Government	4	179-70	..	..	4	179-70	4	179-70	4	179-70
Railways	67	169-91	..	..	67	169-91	67	169-91	67	169-91
Engineering Firms	241	153-43	..	..	241	153-43	241	153-43	241	153-43
Dealers	169	139-85	..	..	169	139-85	169	139-85	169	139-85
Miscellaneous	22	150-00	..	..	22	150-00	22	150-00	22	150-00
TOTAL	503	151-18	..	..	503	151-18	503	151-18	503	151-18
<i>November, 1924.</i>										
Government	93	158-89	..	..	93	158-89	93	158-89	93	158-89
Railways	112	164-39	..	..	112	164-39	112	164-39	112	164-39
Engineering Firms	648	146-50	..	..	648	146-50	648	146-50	648	146-50
Dealers	82	143-65	..	..	82	143-65	82	143-65	82	143-65
Miscellaneous	57	143-39	..	..	57	143-39	57	143-39	57	143-39
TOTAL	992	149-14	..	..	992	149-14	992	149-14	992	149-14

FORM III.

LIGHT STRUCTURAL—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>December, 1924.</i>										
Government	269	161-7	..	..	269	161-72	269	161-72	269	161-72
Railways	36	166-05	..	..	36	166-05	36	166-05	36	166-05
Engineering Firms	480	134-07	..	..	480	134-07	480	134-07	480	134-07
Dealers	558	129-372	..	..	558	129-37	558	129-37	558	129-37
Miscellaneous	99	140-06	..	..	99	140-06	99	140-06	99	140-06
TOTAL	1,442	138-69	..	..	1,442	138-69	1,442	138-69	1,442	138-69
<i>January, 1925.</i>										
Government	17	163-90	..	..	17	163-90	17	163-90	17	163-90
Railways	21	173-84	..	..	21	173-84	21	173-84	21	173-84
Engineering Firms	321	141-44	343	154	664	148-03	321	141-44	664	148-03
Dealers	178	137-90	..	..	178	137-90	178	137-90	178	137-90
Miscellaneous	67	140-43	..	..	67	140-43	67	140-43	67	140-43
TOTAL	604	142-02	343	154	947	146-44	604	142-02	947	146-44

FORM III.

LIGHT STRUCTURAL—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>February, 1925.</i>										
Government	7	171-00	..	..	7	171-00	7	171-00	7	171-00
Railways	34	153-15	..	..	34	153-15	34	153-15	34	153-15
Engineering Firms	651	149-84	..	..	651	149-84	651	149-84	651	149-84
Dealers	606	125-11	..	..	606	125-11	606	125-11	606	125-11
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	1,298	138-48	..	..	1,298	138-48	1,298	138-48	1,298	138-48
<i>March, 1925.</i>										
Government	666	170-08	..	..	666	170-08	666	170-08	666	170-08
Railways	163	172-16	..	..	163	172-16	163	172-16	163	172-16
Engineering Firms	783	143-88	92	154-00	875	145-38	783	143-88	875	145-38
Dealers	669	130-38	..	..	669	130-38	669	130-38	669	130-38
Miscellaneous	18	140-00	..	..	18	140-00	18	140-00	18	140-00
TOTAL	2,299	149-60	92	154-00	2,391	149-99	2,299	149-60	2,391	149-99

FORM III.

LIGHT STRUCTURAL—concluded.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>April, 1925.</i>										
Government	4	170-00	..	..	4	170-00	4	170-00	4	170-00
Railways	243	159-16	..	..	243	159-16	243	159-16	243	159-16
Engineering Firms	553	149-67	198	134-12	751	145-61	553	149-67	751	145-51
Dealers	1,402	129-17	..	..	1,402	129-17	1,402	129-17	1,402	129-17
Miscellaneous	71	139-96	..	..	71	139-96	71	139-96	71	139-96
TOTAL	2,273	137-76	198	134-12	2,471	137-48	2,273	137-76	2,471	137-48
<i>May, 1925.</i>										
Government	13	140-00	..	..	13	140-00	13	140-00	13	140-00
Railways	15	160-00	..	..	15	160-00	15	160-00	15	160-00
Engineering Firms	531	141-02	17	135-99	548	140-83	531	141-02	548	140-83
Dealers	1,612	126-67	..	..	1,612	126-67	1,612	126-67	1,612	126-67
Miscellaneous	15	140-00	..	..	15	140-00	15	140-00	15	140-00
TOTAL	2,186	130-57	17	135-99	2,203	130-59	2,186	130-57	2,203	130-59

Enclosure V.

FORM III.

Statement showing the orders booked for each month from October 1924 to May 1925.

BARS.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>October, 1924.</i>										
Government	46	165-19	..	..	46	165-19	46	165-19	46	165-19
Railways	231	164-55	111	140-00	342	156-53	231	164-55	342	156-53
Engineering Firms	629	147-00	361	162	990	152-52	629	147-00	990	152-52
Dealers	1,244	145-93	..	..	1,244	145-93	1,244	145-93	1,244	145-93
Miscellaneous	23	150-00	..	..	23	150-00	23	150-00	23	150-00
TOTAL	2,173	148-83	472	156-82	2,645	150-15	2,173	148-83	2,645	150-15
<i>November, 1924.</i>										
Government	213	165-51	..	..	213	165-51	213	165-51	213	165-51
Railways	348	163-38	..	..	348	163-38	348	163-38	348	163-38
Engineering Firms	944	133-48	..	..	944	133-48	944	133-48	944	133-48
Dealers	622	141-23	..	..	622	141-23	622	141-23	622	141-23
Miscellaneous	516	153-00	..	..	516	153-00	516	153-00	516	153-00
TOTAL	2,643	148-51	..	..	2,643	148-51	2,643	148-51	2,643	148-51

FORM III.

BARS—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>December, 1924.</i>										
Government	224	165-65	..	..	224	165-65	224	165-65	224	165-65
Railways	154	172-74	..	..	154	172-74	154	172-74	154	172-74
Engineering Firms	1,017	144-00	4	162	1,021	144-09	1,017	144-00	1,021	144-09
Dealers	1,508	133-98	..	..	1,508	133-98	1,508	133-98	1,508	133-98
Miscellaneous	1,100	139-87	..	..	1,100	139-87	1,100	139-87	1,100	139-87
TOTAL	4,003	141-39	4	162	4,007	141-44	4,003	141-39	4,007	141-44
<i>January, 1925.</i>										
Government	156	170-00	..	..	156	170-00	156	170-00	156	170-00
Railways	175	162-64	..	..	175	162-64	175	162-64	175	162-64
Engineering Firms	429	151-32	1	167	430	151-32	429	151-32	430	151-32
Dealers	2,043	135-17	..	..	2,043	135-17	2,043	135-17	2,043	135-17
Miscellaneous	73	140-00	73	140-00	73	140-00	73	140-00
TOTAL	2,876	141-26	1	167	2,877	141-27	2,876	141-26	2,877	141-27

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FORM III.

BARS—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>February, 1925.</i>										
Government	37	183-91	..	..	37	183-91	37	183-91	37	183-91
Railways	342	169-55	..	..	342	169-55	342	169-55	342	169-55
Engineering Firms	515	151-64	2	130-00	517	151-45	515	151-64	517	151-45
Dealers	2,070	135-40	..	..	2,070	135-40	2,070	135-40	2,070	135-40
Miscellaneous	37	150-57	..	..	37	150-57	37	150-57	37	150-57
TOTAL	3,001	142-87	2	130-00	3,003	142-84	3,001	142-87	3,003	142-84
<i>March, 1925.</i>										
Government	521	181-46	..	..	521	181-46	521	181-46	521	181-46
Railways	241	165-78	..	..	241	165-78	241	165-78	241	165-78
Engineering Firms	1,472	146-77	20	130-00	1,492	146-52	1,472	146-77	1,492	146-52
Dealers	2,115	139-54	..	..	2,115	139-54	2,115	139-54	2,115	139-54
Miscellaneous	273	140-01	..	..	273	140-01	273	140-01	273	140-01
TOTAL	4,622	148-18	20	130-00	4,642	147-88	4,622	148-18	4,642	147-88

FORM III.

BARs—concluded.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>April, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways	2,914	174-28	..	..	2,914	174-28	2,914	174-28	2,914	174-28
Engineering Firms	510	144-17	810	151-117	1,320	148-45	510	144-17	1,320	148-45
Dealers	4,248	131-28	..	..	4,248	131-28	4,248	131-28	4,248	131-28
Miscellaneous	187	136-00	..	..	187	136-00	187	136-00	187	136-00
TOTAL	7,859	147-52	810	151-117	8,669	148-44	7,859	147-52	8,669	148-44
<i>May, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways	277	167-49	..	..	277	167-49	277	167-49	277	167-49
Engineering Firms	1,024	139-25	282	150-49	1,206	141-69	1,024	139-25	1,306	141-69
Dealers	2,951	139-20	..	..	2,951	139-20	2,951	139-20	2,951	139-20
Miscellaneous	641	140-33	641	140-33	641	140-33	641	140-33
TOTAL	4,893	141-07	282	150-49	5,175	141-59	4,893	141-07	5,175	141-59

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FORM III.

Statement showing the orders booked for each month from October 1924 to May 1925.

PLATES.—(EXCLUDING CIRCULAR ONES.)

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>October, 1924.</i>										
Government	81	161-89	..	..	81	161-89	81	161-89	81	161-89
Railways	539	156-58	..	..	539	156-58	539	156-58	539	156-58
Engineering Firms	33	165-94	..	..	33	165-94	33	165-94	33	165-94
Dealers	3	157-00	..	..	3	157-00	3	157-00	3	157-00
Miscellaneous										
TOTAL	656	157-75	..	..	656	157-75	656	157-75	656	157-75
<i>November, 1924.</i>										
Government	1	172-93	..	..	1	172-93	1	172-93	1	172-93
Railways	244	158-07	..	..	244	158-07	244	158-07	244	158-07
Engineering Firms	334	151-98	..	..	334	151-98	334	151-98	334	151-98
Dealers	28	155-00	..	..	28	155-00	28	155-00	28	155-00
Miscellaneous	65	145-02	..	..	65	145-02	65	145-02	65	145-02
TOTAL	672	153-46	..	..	672	153-46	672	153-46	672	153-46

FORM III.

PLATES.—(EXCLUDING CIRCULAR ONES)—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>December, 1924.</i>										
Government	397	160-00	..	..	397	160-00	397	160-00	397	160-00
Railways	51	167-47	..	..	51	167-47	51	167-47	51	167-47
Engineering Firms	217	155-04	122	132-00	339	146-81	217	155-04	339	146-81
Dealers	11	155-00	..	..	11	155-00	11	155-00	11	155-00
Miscellaneous	70	149-71	..	..	70	149-71	70	149-71	70	149-71
TOTAL	746	157-99	122	132-00	868	154-33	746	157-99	868	154-33
<i>January, 1925.</i>										
Government	15	171-00	..	..	15	171-00	15	171-00	15	171-00
Railways	62	153-00	..	..	62	153-00	62	153-00	62	153-00
Engineering Firms	484	152-80	834	150-80	1,318	151-52	484	152-80	1,318	151-52
Dealers	465	130-79	..	..	465	130-79	465	130-79	465	130-79
Miscellaneous	17	140-00	..	..	17	140-00	17	140-00	17	140-00
TOTAL	1,043	143-04	834	150-80	1,877	146-48	1,043	143-04	1,877	146-48

FORM III.

PLATES.—(EXCLUDING CIRCULAR ONES)—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>February, 1925.</i>										
Government	37	160-86	..	..	37	160-86	37	160-86	37	160-86
Railways	53	155-91	..	..	53	155-91	53	155-91	53	155-91
Engineering Firms	376	150-14	75	144-42	451	149-27	376	150-14	451	149-27
Dealers	637	136-66	..	..	637	136-66	637	136-66	637	136-66
Miscellaneous	149	140-00	..	..	149	140-03	149	140-00	149	140-00
TOTAL	1,252	142-56	75	144-42	1,327	142-67	1,252	142-56	1,327	142-67
<i>March, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways	22	155-57	..	..	22	155-57	22	155-57	22	155-57
Engineering Firms	1,202	151-27	253	132-08	1,455	147-97	1,202	151-27	1,455	147-97
Dealers	305	139-22	..	..	305	139-22	305	139-22	305	139-22
Miscellaneous	108	140-00	..	..	108	140-00	108	140-00	108	140-00
TOTAL	1,637	148-33	253	132-08	1,800	146-15	1,637	148-33	1,800	146-15

FORM III.

PLATES.—(EXCLUDING CIRCULAR ONES)—concluded.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>April, 1925.</i>										
Government	..	..	..	..	..	..	..	..	..	..
Railways	410	158-96	..	..	410	158-96	410	158-96	410	158-96
Engineering Firms	437	145-96	1,709	140-70	2,146	141-75	437	145-96	2,146	141-75
Dealers	48	143-71	..	..	48	143-71	48	143-71	48	143-71
Miscellaneous	100	140-00	..	..	100	140-00	100	140-00	100	140-00
TOTAL	995	150-65	1,709	140-70	2,704	144-37	995	150-65	2,704	144-37
<i>May, 1925.</i>										
Government	..	..	..	..	..	..	..	..	..	..
Railways	..	..	..	..	..	..	..	..	..	..
Engineering Firms	337	151-22	145	140-27	482	147-91	337	151-22	482	147-91
Dealers	349	135-47	..	..	349	135-47	349	135-47	349	135-47
Miscellaneous	104	135-49	..	..	104	135-49	104	135-49	104	135-49
TOTAL	790	142-09	145	140-27	935	141-83	790	142-09	935	141-83

FORM III.

Statement showing the orders booked for each month from October, 1924 to May, 1925.

BLACK SHEETS.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>October, 1924.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	16	211-07	..	..	16	212-07	16	212-07	16	212-07
Dealers	30	159-00	..	..	30	159-00	30	159-00	30	159-00
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	46	177-45	..	..	46	177-45	46	177-45	46	177-45
<i>November, 1924.</i>										
Government	28	218-00	..	..	28	218-00	28	218-00	28	218-00
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms . . . . .	..	..	1	217	1	217	..	..	1	217
Dealers	176	167-62	..	..	176	167-62	176	167-62	176	167-62
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	204	174-53	1	217	205	174-74	204	174-53	205	174-74

FORM III.

BLACK SHEETS—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>December, 1924.</i>										
Government	1	212-00	..	..	1	212-00	1	212-00	1	212-00
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	17	192-82	17	217	34	205-00	17	192-82	34	205-00
Dealers	270	174-15	..	..	270	174-15	270	174-15	270	174-15
Miscellaneous	16	180-00	..	..	16	180-00	16	180-00	16	180-00
TOTAL	304	175-32	17	217	321	177-81	304	175-32	321	177-81
<i>January, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	97	172-00	560	204-65	657	199-84	97	172-00	657	199-84
Dealers	586	177-05	..	..	586	177-05	586	177-05	586	177-05
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	683	176-25	560	204-65	1,243	189-00	683	176-25	1,243	189-00

FORM III.

BLACK SHEETS—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>February, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	5	172-00	18	220-61	23	210-04	5	172-00	23	210-04
Dealers	747	180-00	..	..	747	180-00	747	180-00	747	180-00
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	752	180-39	18	220-61	770	181-27	752	180-39	770	181-27
<i>March, 1925.</i>										
Government	782	213-00	..	..	782	213-00	782	213-00	782	213-00
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	124	191-68	..	..	124	191-68	124	191-68	124	191-68
Dealers	377	179-39	..	..	377	179-39	377	179-39	377	179-39
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	1,283	200-90	..	..	1,283	200-90	1,283	200-90	1,283	200-90

FORM III

BLACK SHEETS—concluded.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>April, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways	168	180-38	..	..	168	180-38	168	180-38	168	180-38
Engineering Firms	10	195-58	..	..	10	195-58	10	195-58	10	195-58
Dealers	770	178-45	..	..	770	178-45	770	178-45	770	178-45
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	948	178-99	..	..	948	178-99	948	178-99	948	178-99
<i>May, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	11	177-90	..	..	11	177-90	11	177-90	11	177-90
Dealers	1,065	176-70	..	..	1,065	176-70	1,065	176-70	1,065	176-70
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	1,076	176-75	..	..	1,076	176-75	1,076	176-75	1,076	176-75

FORM III.

Statement showing the orders booked for each month from October, 1924 to May, 1925.

GALVANISED SHEETS.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>November, 1924.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	13	295-68	..	..	13	295-68	13	295-68	13	295-68
Dealers	210	308-60	..	..	210	308-60	210	308-60	210	308-60
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	223	305-96	..	..	223	305-96	223	305-96	223	305-96
<i>December, 1924.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	1	310-00	..	..	1	310-00	1	310-00	1	310-00
Dealers	248	293-37	..	..	248	293-37	248	293-37	248	293-37
Miscellaneous	45	296-80	..	..	45	296-80	45	296-80	45	296-80
TOTAL	294	294-00	..	..	294	294-00	294	294-00	294	294-00

FORM III.

GALVANISED SHEETS—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>January, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	32	313-99	..	..	32	313-99	32	313-99	32	313-99
Dealers	533	308-61	..	..	533	308-61	533	308-61	533	308-61
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	565	308-95	..	..	565	308-95	565	308-95	565	308-95
<i>February, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	1	290-00	..	..	1	290-00	1	290-00	1	290-00
Dealers	548	312-42	..	..	548	312-42	548	312-42	548	312-42
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	549	312-41	..	..	549	312-41	549	312-41	549	312-41

FORM III.

GALVANISED SHEETS—continued.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>March, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	64	309-05	..	..	64	309-05	64	309-05	64	309-05
Dealers	1,017	299-84	..	..	1,017	299-84	1,017	299-84	1,017	299-84
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	1,081	300-10	..	..	1,081	300-10	1,081	300-10	1,081	300-10
<i>April, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	2	296-00	..	..	2	296-00	2	296-00	2	296-00
Dealers	1,257	294-58	..	..	1,257	294-58	1,257	294-58	1,257	294-58
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	1,259	294-59	..	..	1,259	294-59	1,259	294-59	1,259	294-58

FORM III.

GALVANISED SHEETS—concluded.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
<i>May, 1925.</i>										
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	92	294-19	..	..	92	294-19	92	294-19	92	294-19
Dealers	1,780	289-60.	..	..	1,780	289-60	1,780	289-60	1,780	289-60
Miscellaneous . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	1,872	289-69	..	..	1,872	289-69	1,872	289-69	1,872	289-69

Enclosure IX.

FORM III.

Statement showing total orders booked from October, 1924 to May, 1925.

HEAVY STRUCTURALS.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
Government	548	154-80	..	..	548	154-80	548	154-80	548	154-80
Railways	680	155-97	..	..	680	155-97	680	155-97	680	155-97
Engineering Firms	7,351	147-56	5,743	136-85	13,094	142-88	7,351	147-56	13,094	142-88
Dealers	4,699	148-51	..	..	4,699	148-51	4,699	148-51	4,699	148-51
Miscellaneous	525	145-03	..	..	525	145-03	525	145-03	525	145-03
TOTAL	13,803	148-50	5,743	136-85	19,546	145-08	13,803	148-50	19,546	145-08

LIGHT STRUCTURALS.

Government	1,073	166-48	..	..	1,073	166-48	1,073	166-48	1,073	166-48
Railways	691	164-92	..	..	691	164-92	691	164-92	691	164-92
Engineering Firms	4,208	142-85	650	147-47	4,858	145-20	4,208	144-85	4,858	145-20
Dealers	5,276	129-00	..	..	5,276	129-00	5,276	129-00	5,276	129-00
Miscellaneous	349	141-58	..	..	349	141-58	349	141-58	349	141-58
TOTAL	11,597	140-66	650	147-47	12,247	141-03	11,597	140-66	12,247	141-03

FORM III.

BARS.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
Government	1,197	173-68	..	..	1,197	173-68	1,197	173-68	1,197	173-68
Railways	4,682	171-27	111	140-00	4,793	170-55	4,682	171-27	4,793	170-55
Engineering Firms	6,540	144-07	1,480	153-35	8,020	145-78	6,540	144-07	8,020	145-78
Dealers	16,801	136-76	..	..	16,801	136-76	16,801	136-76	16,801	136-76
Miscellaneous	2,850	142-32	2,850	142-32	2,850	142-32	2,850	142-32
TOTAL	32,070	145-16	1,591	152-49	33,661	145-50	32,070	145-16	33,661	145-50

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PLATES—(Excluding Circular ones.)

Government	450	160-26	450	160-26	450	160-26	450	160-26
Railways	923	158-81	..	..	923	158-81	923	158-81	923	158-81
Engineering Firms	3,926	151-75	3,138	142-42	7,064	147-61	3,926	151-75	7,064	147-61
Dealers	1,876	136-47	..	..	1,876	136-47	1,876	136-47	1,876	136-47
Miscellaneous	616	140-58	..	..	616	140-58	616	140-58	616	140-58
TOTAL	7,791	148-52	3,138	142-42	10,929	146-77	7,791	148-52	10,929	146-77

FORM III.

GALVANIZED SHEETS.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways . . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	205	300-52	..	..	205	300-52	205	300-52	205	300-52
Dealers	5,593	297-42	..	..	5,593	297-42	5,593	297-42	5,593	297-42
Miscellaneous	45	296-80	45	296-80	45	296-80	45	296-80
TOTAL	5,843	297-45	5,843	297-45	5,843	297-45	5,843	297-45

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BLACK SHEETS.

Government	811	212-92	811	212-92	811	212-92	811	212-92
Railways	168	196-50	168	196-50	168	196-50	168	196-50
Engineering Firms	280	185-82	596	205-33	876	199-09	280	185-82	876	199-09
Dealers	4,021	177-21	..	..	4,021	177-21	4,021	177-21	4,021	177-21
Miscellaneous	16	180-00	..	..	16	180-00	16	180-00	16	180-00
TOTAL	5,296	183-33	596	205-33	5,892	186-59	5,296	183-33	5,892	186-59

Enclosure X.

FORM IV.

Statement of Steel ingot production from October 1924 to May 1925.

	QUANTITY OF STEEL PRODUCED.			Quantity on which the bounty of Rs. 20 a ton has been paid or is payable.	Total amount of the bounty paid or payable.
	Open Herth.	Duplex.	Total.		
1924—	Tons.	Tons.	Tons.	Tons.*	Rs.
October	20,276	11,835	32,111	+32,084	449,176
November	18,381	16,754	35,135	35,135	491,890
December	17,930	14,537	32,467	32,467	454,538
1925—					
January	19,930	18,023	37,953	37,953	531,342
February	17,393	16,148	33,541	+34,081	477,134
March	17,250	17,256	34,506	+34,662	485,268
April	16,392	18,549	34,941	+34,759	486,626
May	16,949	20,111	37,060	+36,746	514,444

* Bounty is paid on 70% of the ingot production as reported here.

+ The difference represents rejections of steel ingots at works which the accounts office reported as soon as ingots were remelted. This accounts for previous excess and subsequent shortage.

Enclosure XI.

Statement (a) showing c.i.f. of British Beams without duty and landing charges. (From Messrs. Gibbon & Co.'s Circulars.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs.
1924—			
October	9 12 6	1 6	128-333
November	9 5 0	1 5 ¹² / ₃₂	123-979
December	9 5 0	1 6 ³ / ₃₂	123-119
1925—			
January	9 5 0	1 5 ²² / ₃₂	123-979
February	9 0 0	1 5 ³³ / ₃₂	120-206
March	9 0 0	1 5 ³³ / ₃₂	120-626
April	9 0 0	1 5 ³³ / ₃₂	121-051
May	9 0 0	1 5 ¹² / ₃₂	120-412

Enclosure XII.

Statement (b) showing c.i.f. prices of British Angles without duty and landing charges.
(From Gibbon's Circulars.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs.
1924—			
October	9 12 6	1 6	128-333
November	9 5 0	1 5 $\frac{1}{2}$	123-979
December	9 5 0	1 6 $\frac{1}{2}$	123-119
1925—			
January	9 5 0	1 5 $\frac{1}{2}$	123-979
February	9 0 0	1 5 $\frac{1}{2}$	120-208
March	9 0 0	1 5 $\frac{1}{2}$	120-628
April	9 0 0	1 5 $\frac{1}{2}$	121-051
May	9 0 0	1 5 $\frac{1}{16}$	120-418

Enclosure XIII.

Statement (c) showing c.i.f. prices of British Bars without duty and landing charges.
(From Gibbon's Circulars.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs.
1924—			
October	10 2 6	1 6	134-999
November	9 15 0	1 5 $\frac{1}{2}$	130-680
December	9 15 0	1 6 $\frac{1}{2}$	129-775
1925—			
January	9 15 0	1 5 $\frac{1}{2}$	130-680
February	9 12 6	1 5 $\frac{1}{2}$	128-556
March	9 12 6	1 5 $\frac{1}{2}$	129-005
April	9 12 6	1 5 $\frac{1}{2}$	129-457
May	9 12 6	1 5 $\frac{1}{2}$	128-780

Enclosure XIV.

Statement (d) showing c.i.f. prices of British Tees without duty and landing charges.
(From Gibbon's Circulars.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs.
1924—			
October	10 12 6	1 6	141 666
November	10 5 0	1 5 $\frac{1}{2}$	137 382
December	10 5 0	1 6 $\frac{1}{2}$	130 429
1925—			
January	10 5 0	1 5 $\frac{1}{2}$	137 382
February	10 2 6	1 5 $\frac{1}{2}$	135 902
March	10 2 6	1 5 $\frac{1}{2}$	135 706
April	10 2 6	1 5 $\frac{1}{2}$	136 182
May	10 2 6	1 5 $\frac{1}{2}$	135 470

Enclosure XV.

Statement (e) showing c.i.f. prices of British Steel Sheets (6', 7', 8' x 3' x 24g) without duty and landing charges. (From Gibbon's Circulars.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs.
1924—			
October	14 11 3	1 6	194 166
November	14 10 0	1 5 $\frac{1}{2}$	194 344
December	13 17 6	1 6 $\frac{1}{2}$	184 680
1925—			
January	13 10 0	1 5 $\frac{1}{2}$	180 941
February	13 5 7.5	1 5 $\frac{1}{2}$	177 390
March	13 0 6	1 5 $\frac{1}{2}$	174 675
April	13 0 0	1 5 $\frac{1}{2}$	174 851
May	13 0 0	1 5 $\frac{1}{2}$	173 937

Enclosure XVI.

Statement (f) showing c.s.f. prices of British Galvanized Corrugated Sheets 22g and 24g without duty and landing charges. (From Gibbon's Circulars.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs.
1924—			
October	19 2 6	1 6	254-999
November	18 15 0	1 5 $\frac{1}{2}$	251-308
December	18 15 0	1 6 $\frac{1}{2}$	249-567
1925—			
January	18 11 3	1 5 $\frac{1}{2}$	248-794
February	18 6 3	1 5 $\frac{1}{2}$	244-591
March	17 12 6	1 5 $\frac{1}{2}$	236-230
April	17 15 0	1 5 $\frac{1}{2}$	238-738
May	17 15 0	1 5 $\frac{1}{8}$	237-491

Enclosure XVII.

Statement (g) showing c.s.f. prices of British Galvanized Plain Sheets 22g and 24g without duty and landing charges. (From Gibbon's Circulars.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs.
1924—			
October	20 3 1-5	1 6	268-749
November	19 5 0	1 5 $\frac{1}{2}$	258-010
December	19 5 0	1 6 $\frac{1}{2}$	256-221
1925—			
January	19 2 6	1 5 $\frac{1}{2}$	256-334
February	18 18 9	1 5 $\frac{1}{2}$	252-939
March	18 5 0	1 5 $\frac{1}{2}$	244-607
April	18 5 0	1 5 $\frac{1}{2}$	254-463
May	18 5 0	1 5 $\frac{1}{8}$	244-181

Enclosure XVIII.

Statement showing c.i.f. prices of Continental Beams without duty and landing charges.
(From Baxter Fell's quotations.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs. A. P.
1924—			
October	6 11 0	1 6	87 5 4
November	6 10 0	1 5 $\frac{2}{3}$	87 1 11
December	6 8 6	1 6 $\frac{1}{3}$	85 8 2
1925—			
January	6 12 0	1 5 $\frac{2}{3}$	88 7 4
February	6 12 0	1 5 $\frac{1}{3}$	88 2 4
March	6 12 6	1 5 $\frac{2}{3}$	88 12 9
April	6 9 9	1 5 $\frac{1}{3}$	87 4 1
May	6 9 0	1 5 $\frac{1}{8}$	86 4 9

Enclosure XIX.

Statement showing c.i.f. prices of Continental Bars and Angles without duty and landing charges. (From Baxter Fell's quotations.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs. A. P.
1924—			
October	6 8 6	1 6	85 10 8
November	6 17 6	1 5 $\frac{2}{3}$	92 2 3
December	6 14 6	1 6 $\frac{1}{3}$	89 8 0
1925—			
January	6 19 0	1 5 $\frac{2}{3}$	93 2 4
February	6 17 6	1 5 $\frac{1}{3}$	91 13 1
March	6 16 6	1 5 $\frac{2}{3}$	91 8 7
April	6 15 6	1 5 $\frac{1}{3}$	91 1 11
May	6 15 0	1 5 $\frac{1}{8}$	90 5 3

Enclosure XX.

Statement showing c.i.f. prices of Continental Tees without duty and landing charges.
(From Baxter Fell's quotations.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs. a. p.
1924—			
October	6 18 0	1 6	92 0 0
November	7 5 0	1 5 $\frac{2}{3}$	97 2 8
December	7 2 0	1 6 $\frac{1}{3}$	94 7 11
1925—			
January	7 5 0	1 5 $\frac{2}{3}$	97 2 8
February	7 4 6	1 5 $\frac{1}{3}$	96 7 11
March	7 3 9	1 5 $\frac{2}{3}$	96 5 4
April	7 2 9	1 5 $\frac{2}{3}$	96 0 0
May	7 3 0	1 5 $\frac{1}{6}$	95 10 10

Enclosure XXI.

Statement showing c.i.f. prices of Continental Plates ($\frac{3}{16}$ " and up) without duty and landing charges. (From Baxter Fell's quotations.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs. a. p.
1924—			
October	7 15 0	1 6	103 5 4
November	8 0 0	1 5 $\frac{2}{3}$	107 3 7
December	7 17 6	1 6 $\frac{1}{3}$	104 13 1
1925—			
January	8 1 6	1 5 $\frac{2}{3}$	108 3 7
February	8 4 6	1 5 $\frac{1}{3}$	109 13 7
March	8 0 0	1 5 $\frac{2}{3}$	107 3 7
April	8 0 0	1 5 $\frac{1}{3}$	107 9 7
May	8 0 0	1 5 $\frac{1}{6}$	107 0 7

Enclosure XXII.

Statement showing c.i.f. prices of Continental Sheets without duty and landing charges.
(From Gibbon's Circulars.)

(Size of sheets :
6×2×19 to 20 gauge×112 lbs.
6×2×14 to 18 gauge×122 lbs.)

	£ s. d.	RATE OF EXCHANGE. s. d.	Rs. a. p.
1924—			
November	12 1 3	1 5 $\frac{1}{2}$ $\frac{2}{3}$	161 10 9
December	12 15 0	1 6 $\frac{1}{2}$ $\frac{1}{3}$	169 11 3
1925—			
January	12 3 9	1 5 $\frac{1}{2}$ $\frac{2}{3}$	163 5 7
February	11 15 7 $\frac{1}{2}$	1 5 $\frac{1}{2}$ $\frac{1}{3}$	157 5 8
March	11 12 6	1 5 $\frac{1}{2}$ $\frac{2}{3}$	155 12 11
April	11 12 6	1 5 $\frac{1}{2}$ $\frac{1}{3}$	156 5 8
May	11 10 0	1 5 $\frac{1}{2}$ $\frac{1}{3}$	153 13 10

Enclosure XXIII.

Note regarding the use of Continental Steel in place of British Steel.

Rails.

Last tender for rails for E. I. Railway (about 12,000 tons) has been placed in the Continent. We tendered for this contract on 2nd December 1924 through Messrs. Tata Limited, London and quoted in sterling £9-18-0 per ton f.o.r. Calcutta. The price at which we tendered was based on the then English f.o.b. price which was £8-10 per ton. They bought it under £8 c.i.f. Calcutta.

B. N. Railway has obtained rails from the Continent at £6-10 f.o.b. Antwerp and on that basis they offered us Rs. 124 f.o.r. Tatanagar for their requirements of rails for the year ending 31st December 1925, as our long term contract with them expired on the 31st March 1925.

The Port Commissioners of Calcutta have recently accepted tender for Continental rails.

Continental Materials.

We have a contract with the Railway Board for the supply of structural steel of B. S. specification, but the Railway Board have informed us that if the Railways require any plates, bars or sections, the quality of which is not considered to be of importance, they should be at liberty to purchase Continental Steel, if it is cheaper.

The M. & S. Railway was offered a contract for structural materials at below B. S. S. prices but did not accept and the chief reason for this is that they use Continental materials whenever possible.

The N. W. Railway ordered bearing plates from us but their last order is for bearing plates made from Continental materials.

Enclosure XXIV.

Estimated Production of Finished Steel in 1925-26 and 1926-27.

	1925-26.	1926-27.
	Tons.	Tons.
Rails	117,600	130,000
Heavy structural	28,800	36,000
Bar and Light Structural—		
(a) Old Bar Mill	24,000	24,000
(b) New Bar Mill	60,000	71,000
Plate Mill	20,400	20,400
Tin Bars	39,600	39,600
Sheets	26,400	36,000
Sleepers	2,400	..
	319,200	357,000

N.B.—In the event of a third Duplex Steel Furnace being constructed, the increase in the production of finished steel might be expected to be 70,000 tons in the first twelve months of operations.

Enclosure XXV.

As regards stocks in the bazar, stocks of continental material in Calcutta have come down to somewhat below normal. This is due to the fact that the up-country demand in rounds, as distinct from rods, and other bar mill material for the U. P. and the Punjab is being monopolised by the Steel Co., and also due to the fact that as many of the dealers have lost money during the last year they are afraid to indent even those sections which the Steel Company cannot offer.

Stocks in Calcutta, including stocks of Steel Co. manufacture, probably amount to about 12,000 tons. Stocks in Karachi were said to be heavy a few weeks ago and stocks in Bombay are about normal. Stocks in Karachi affect upcountry prices more than the stocks in Bombay.

Statement III.—Representation, dated 2nd July 1925, to the Tariff Board.

With reference to Government Resolution No. 260-T. (37), dated the 18th June 1925, referring the matter of further protection for the Indian Steel Industry to the Tariff Board for enquiry as to the amount of further assistance required, if any, and the form which such assistance should take, we submit the following:

2. This Company is of opinion that the protection originally proposed in the first Report of the Tariff Board, accepted by the Government of India and

the Legislative Assembly and embodied in the Steel Protection Act XIV of 1924 would, other things being equal, be sufficient. Two factors have, however, disturbed the view then taken of the future of the Steel Industry in India: firstly, the fall in foreign exchanges, more especially the fall in sterling exchange and, secondly, the great fall in the prices of Continental material imported into this country. The Tariff Board in their second Report, dated the 8th November 1924 found that the scheme of protection embodied in the Steel Protection Act had failed to secure its object and that further assistance was necessary. They, therefore, recommended increases in the existing tariff which were intended to ensure a fair price to the Indian manufacturer. On that Report the Government of India recommended to the Legislative Assembly that a special bounty not exceeding Rs. 50 lakhs per annum should be granted to this Company on 70 per cent. of the production of ingot steel at the rate of Rs. 20 per ton of ingot steel produced between the 1st of October 1924 and the 30th of September 1925. The Government of India considered that this sum of Rs. 50 lakhs represented the amount which the Company might expect to obtain from the increased duties recommended by the Tariff Board.

3. In the Government Resolution referred to the Tariff Board are now asked to re-examine the whole question and to decide among other things for what period further assistance should be given. The first point which this Company wish to make is that whatever scheme is now devised it should be applied to the entire period covered by the Steel Protection Act and that any assistance given should take into account the whole of such period. The original scheme of protection was intended to ensure a definite programme for a period of three years. Circumstances immediately made that impossible but we think it is very desirable in the interest of the Industry and of importers and consumers in the country that the present enquiry and any recommendations arising from it should cover the entire period and that no further enquiry should be made until the whole question is re-examined on the expiry of the present Act.

4. The second point which the Company desire to urge is that the further assistance given should preferably be by means of bounties as far as possible as they realize that continual alterations of a tariff once imposed are not advisable. They suggest that the bounty should take the same form as at present, namely, a bounty on ingot steel. The system at present in force has worked without difficulty and is the simplest form in which such a bounty can be devised.

5. The Company do not wish to put the case for further assistance any higher than that originally contemplated by the Board in their first report. The prices at present being realized by them and which have been realized for the past eight months are considerably lower than those found by the Tariff Board on their enquiry in October last, though not substantially lower than the prices on which their recommendations were based. The statement below compares the prices then ascertained by the Tariff Board with those which have been realized by the Company since October 1924:—

	Average prices realized by the Company during 4 months, June to September 1924.	Average prices realized by the Company during the 8 months, October 1924 to May 1925.
	Rs.	Rs.
Bars	158	145-50
Light structurals	161	141-03
Heavy structurals	153	145-08
All structurals	156	143-52
Plates	160	146-77
Light rails	149	134-22

In that Report the Board assumed the future prices that might be expected as follows:—

Bars	Rs. 145 to Rs. 147
Structurals	Rs. 139 to Rs. 142
Plates	Rs. 155

It will be seen how very accurate this forecast has been. We submit that from these figures it is obvious that good reason exists for the continuance of the assistance given from October 1924 to September 1925 and that the same bounty should be continued. There is no sign at present of any rise in prices either in England or on the Continent and, although there is little doubt that in almost every country steel is being sold for export at a price below the cost of manufacture in order to keep the Works running, there seems to be little expectation of a rise in the price in the next two years. Further, all the indications at present point to a rise in exchange the effect of which will be to lower prices still further. In view of these facts we urge that the least possible measure that can ensure the adequate protection of the Industry is that the bounty of Rs. 20 per ton of ingot steel on 70 per cent. of the production should be continued until the expiry of the Steel Protection Act in March 1927. The statement attached shews the actual difference between the prices originally contemplated by the Tariff Board and the prices now being realized. The total is Rs. 56.48 lakhs for 12 months. We would point out further that foreign exchanges have recently fallen very severely. In September 1924 French exchange was 558 francs and Belgian exchange 690 francs to the Rs. 100. To-day in the case of France exchange is 778 francs and in the case of Belgium 785 francs to the Rs. 100. We suggest that in consideration of this fall no annual limit should be placed on the bounty.

6. Further, we desire to bring to the notice of the Tariff Board a new fact which has emerged as a result of the fall of prices on the Continent. In this connection we desire to refer to our letter to the Government of India, No. G.-650, dated the 10th June 1925, a copy of which was forwarded to the Board and we quote below the relative passage from that letter:—

“We also wish to invite the attention of Government to the price of rails imported into this country. The Tariff Board in their original report in view of the long term contracts into which the Company has entered with the Indian Railways did not recommend any increase in the duty on rails and recommended a bounty on their production of Rs. 32 per ton in the first year, Rs. 26 in the second and Rs. 20 in the third. In paragraph 116 of the first Report of the Tariff Board it is shown that the reduction in the rate of bounty per ton was recommended for two reasons; firstly, because of the lower cost that might be expected from the new plant and, secondly, because it was expected that when the long term contracts expired the Company would be able to realize a higher price in competition with British Standard rails than was provided in the contracts. This latter expectation has not been realized. It is true that British Standard rails supplied from England would to-day cost, according to the prices quoted in the trade papers, Rs. 144.83 landed at Calcutta. This is based on the prevailing f.o.b. quotation of £8.10 per ton. We are, however, aware that rails can be purchased in England for a considerably lower figure and in addition we know that certain of the Indian Railways have purchased rails from the Continent at much lower prices. We can give the Government two instances shewing how this operates. The East Indian Railways, according to our information, recently placed an order for 12,028 tons of rails in Germany and the Bengal Nagpur Railway, when we were renewing our contracts for the present year practically insisted on a price of Rs. 124 per ton on the ground that they could purchase rails on the Continent as cheaply. This price compares with an average price of Rs. 125.8 which was the average price under the

long term contracts. With the bounty of Rs. 26 per ton it yields a price of Rs. 150 per ton for rails as compared with the price of Rs. 181 contemplated in paragraph 116 of the first report of the Tariff Board for supplies outside the contracts. As one-third of our total production is rails it will be obvious how great the effect of such a difference may be. It is, therefore, apparent that the expectation that the Company would be able as time went on to obtain higher prices for its rails than were provided under the long term contracts was not correct and that it is more probable that the price will fall than that it will rise. We do not desire to lay any particular stress on this point, but we urge that it should be considered in deciding the extent of further assistance to be given to the Company."

The statement attached to this letter gives particulars of rails ordered by the Indian Railways since the introduction of the Steel Protection Act outside the contracts with the Palmer Railways and the Indian Railway Board. For the year 1924-25 our total orders outside the contracts have been 30,495 tons and our average price has been Rs. 163-82 including the bounty. The Tariff Board in paragraph 116 of their original report state that they expect that the effect of their proposals will be to give us a price of Rs. 187 per ton for rails during that year including the bounty. It will be seen that the price actually realized, including the bounty, was Rs. 163-82 per ton and on 30,495 tons the actual difference is Rs. 7,06,874.

7. With regard to the current year, we have contracted to supply the Bengal Nagpur Railway at Rs. 124 per ton. This is in competition with rails obtainable from the Continent. We do not yet know what the total demands of the Bengal Nagpur Railway for this year will be but the average taken by them during the past three years has been 14,052 tons per annum. Excluding outside orders which are not now likely to be large, as the East Indian and the Great Indian Peninsula have now come under the Railway Board, the difference this year between the price estimated by the Tariff Board, namely, Rs. 181 per ton, and the price realized from the Bengal Nagpur Railway, namely, Rs. 150 per ton, including the bounty, is Rs. 31 per ton or on 14,052 tons of rails Rs. 4,35,612.

8. The contracts with the Palmer Railways expire in March 1926 and the Steel Industry Protection Act expires in March 1927. There will, therefore, be a period of 12 months during which the price of rails to the Palmer Railways will not be governed by the contracts. For the year 1926-27 the price estimated by the Tariff Board outside the contract is Rs. 175, including the bounty. If our estimate that we shall not obtain a higher price than Rs. 124 is correct, the total price realized by us for this period of 12 months will not exceed Rs. 144 including the bounty. We may add that one of the Palmer Railways has already asked us to quote our price for the year 1926-27 and we are in this position that unless we quote in competition with Continental rails the railways may and very possibly will place the orders outside India. We have, therefore, informed the railway in question that we are prepared to supply them with rails of similar specification at Rs. 2 per ton less than the price at which they can land British rails in India or at the price at which they can obtain rails of similar specification landed in India from the Continent provided they wish us to quote in competition with these. In the interests of the Indian Steel Industry we are anxious that whatever the price orders should not be placed outside this country.

9. If, therefore, the price of rails outside the contracts is taken for the year 1926-27 at Rs. 144 per ton as shown above, the difference between that price and the estimate made by the Tariff Board in paragraph 116 of their original report will be Rs. 31 per ton. It is difficult to estimate what total quantity of rails will be ordered by the Palmer Railways in 1926-27. Their average requirements during the past three years have been 35,116 tons per year. On this figure the total difference to the Steel Company would be Rs. 10,88,596. As the Railway Board contract expires on the 1st April 1927 we do not take it into account.

10. Considering these prices we ask that further assistance should be given to this Company and we suggest that the original bounty of Rs. 32 per ton should continue for the period of the Steel Protection Act and should not be reduced as was originally contemplated. The suggestion will not make good the entire difference to the Industry but will place it in a position that should enable it to compete with Continental rails considering the very great reduction in rail costs which we expect from the operation of the new plant and which has, to some extent, been achieved. We may here point out that we are not asking for this additional assistance on the ground that we cannot compete with British rails of the same specification. The price of British rails of similar specification landed in India to-day would be Rs. 144 which, with the bounties originally contemplated, would yield us a much higher price. This addition may be granted as a supplementary bounty.

11. In conclusion we desire to make one further point. From the information we have submitted it will be seen that our present estimate of production does not reach the estimated production given to the Tariff Board. In the statement printed at page 158 of the original Report the estimated production for 1924-25 was 250,000 tons of finished steel. This has been achieved, our production having been 248,000 tons in the past year. For the year 1925-26 we had estimated a production of 335,000 tons of finished steel. Our revised estimate shows a total production of 319,200 tons. For the year 1926-27 we had estimated a production of 390,000 tons of finished steel. Our revised estimate which is now submitted shows a total production of 357,000 tons. We may point out, however, that our present estimates are very conservative and can be very greatly increased by a slight increase in capital expenditure during the next two years and that the construction of a third steel Duplex Furnace which our Board of Directors is at present considering would ensure a production of over 400,000 tons in 1926-27, if the construction of the furnace is commenced not later than October of this year. But in the present uncertain state of the Industry and before the Legislature has decided on the present enquiry the Directors do not feel justified in incurring additional expenditure of this nature. If, however, full effect were given to the measure of protection originally intended by the Steel Protection Act and they were assured of such protection for the remaining period during which the Act will remain in force, they would immediately consider every possible measure that could be taken for increasing the steel capacity of the Works for two reasons: firstly, with the present steel capacity it is impossible to adequately employ the large modern Rolling Mills which have been constructed; secondly, the Company has at present one Blast Furnace which is idle because the production of Pig Iron on a large scale has become unprofitable as this can only be disposed of by export. The increase in the steel capacity of the Works would immediately enable the Company to blow in the fifth Furnace and to use the Pig Iron produced from it for the manufacture of steel. Also the increased production would very greatly reduce the overhead charges on steel and would enable the Industry to dispense with protection at an earlier date. The question is complicated by many factors but we can assure the Board that it will be thoroughly and carefully considered by our Board of Directors in the event of adequate protection being assured for the remaining period of the Act.

12. We have already forwarded with our letter dated the 25th June 1925 the statements for which the Tariff Board have called and shall be glad to know when the Board desire to hear oral evidence. We propose to offer as our witnesses Mr. J. C. K. Peterson, C.I.E., a Director of the Agents' firm and Mr. S. K. Sawday, our Sales Manager, who will give evidence regarding prices.

Enclosure I.

Statement showing the difference between the prices originally contemplated by the Tariff Board and the prices now being realized on the estimated production for 12 months ending 31st March 1926.

	Production.	Price contemplated by the Tariff Board.	Prices now being realized.	Difference per ton.	Total difference.
	Tons	Rs.	Rs.	Rs.	Lacs Rs.
Bar Mill	84,000	180	145	35	29.40
Heavy structural . .	29,000	175	145	30	8.70
Plates	20,000	180	146	34	6.80
Black sheets	18,000	230	187	43	7.74
Galvanized sheets . .	8,000	345	297	48	3.84

Rs. 56.48 lacs.

Calcutta, the 3rd July 1925.

Enclosure II.

Statement showing orders booked of rails for Indian Railways outside our long term contracts from 1st April 1924.

Names.	Sections.	Tonnage.	Price per ton f.o.r. Tatanagar.
E. I. Railway	lbs. 93½, 90, 88½, 85, 75 and 74.	22,855	Rs. @ £9.18 f.o.b. Calcutta = Rs. 129 at 1s. 6d. less Rs. 3 for freight.
E. I. Railway	85	9	Rs. 155
G. B. S. Railway	30	94	Rs. 155
G. B. S. Railway	60	43	Rs. 150
B. N. Railway	90	7,494	Rs. 140
		30,495	at an average of Rs. 131.82 f.o.r. Tatanagar.

Statement IV.—Supplementary statements, dated 15th July 1925.

With reference to your letter No. 340, dated the 9th July 1925, we return the copies of the evidence duly corrected.

2. With regard to the President's query regarding supply of rails to the Bengal Nagpur Railway in 1926-27 the actual figures will be as follows:—

If the Bengal Nagpur Railway were to take their usual supplies of rails, namely, 14,052 tons during the year at the price of Rs. 124 agreed upon between them and us, this with the bounty of Rs. 26 a ton would give us a price of Rs. 150 per ton as against the price estimated by the Tariff Board of Rs. 181 per ton. The difference, therefore, would be Rs. 4,35,612 as pointed out in our representation, paragraph 7. Since, however, our evidence was recorded we have received a letter from the Bengal Nagpur Railway informing us that they will probably not require any 90-lb. rails from us during this year. We enclose a copy of this letter for the information of the Board. If this expectation is correct we should not expect to supply more than a few hundred tons of rails outside the contracts during the year 1925-26. We doubt however, whether the anticipation is correct.

With regard to the year 1926-27, the difference in the case of the Palmer Railways is estimated to be Rs. 10,88,596 as shown in paragraph 9 of our representation of the 2nd July 1925. To this has to be added, as the President pointed out during the enquiry, the Bengal Nagpur Railway rails for that year. Taking the same average supply, namely, 14,052 tons, and the same difference of Rs. 31 per ton, the total figure will be Rs. 4,35,612.

If, therefore, the Bengal Nagpur Railway take no rails during the current year, the total difference to be expected between the 1st of October 1925 and the 31st of March 1927 will be Rs. 15,24,208 to which should be added any quantity which the Bengal Nagpur Railway may take during this year. We think it would be safe to estimate this quantity at 2,000 tons making an addition of Rs. 62,000. The total figure may, therefore, be taken at Rs. 16 lakhs. Assuming a total ingot production of 741,720 tons between the 1st of October 1925 and the 31st of March 1927 this is equivalent to an addition to the bounty of Rs. 3.08 per ton.

3. With regard to the information regarding limit of bounty required we have already suggested a limit of Rs. 60 lakhs.

4. Regarding the French and Belgian exchanges the information was given on the second day of hearing and is on the first page of the record of that date.

5. We attach a statement giving the production for the year 1924-25 under the various classes as in Form I.

6. We attach a statement showing the estimated ingot production for the first six months and for the last six months of the years 1925-26 and 1926-27.

7. We attach a statement showing the use of pig iron for the manufacture of steel for the months April to September 1924 and for the months October 1924 to March 1925.

8. We attach a statement showing the sales and exports of pig iron during the year 1924-25 and the average prices obtained.

9. The same statement gives the information regarding the present price in India for export of pig iron.

10. Regarding Dr. Matthai's question, we have brought up-to-date the statement regarding direct labour printed at pages 241-243 of the original evidence, Volume I. We enclose a copy of this statement. We also enclose a copy of a letter from our General Manager giving the expected Indianization during the 18 months ending 31st March 1927. The covenanted hands who will be dispensed with will be replaced by Indians. We trust this information is sufficient.

11. With regard to Dr. Matthai's question regarding the Technical Institute, we enclose a statement by the Director of the Technical Institute shewing the use that is being made in the Works of the trained students from the Institute. We also enclose a statement shewing the orders booked for the month of June 1925 with the average prices as desired by the President on the 6th July.

Enclosure I.

BENGAL NAGPUR RAILWAY COMPANY, LIMITED.

No. 26230.

From—The Chief Engineer, B. N. Railway House, Kidderpore,
To—Messrs. The Tata Iron and Steel Company, Limited, Jamshedpur.

Dated the 11th July 1925.

Subject:—Requirement of rails 90 lbs. during 1925-26.

DEAR SIRS,

With reference to your letter No. S.-11418-25, dated 16th March 1925, please note that as far as we can see at present we shall not require any new 90 lbs. rails in 1925-26.

Enclosure II.

THE TATA IRON AND STEEL COMPANY, LIMITED.

Production for the year 1924-25.

	Tons.
(1) Pig iron	552,691
(2) Heavy rails	109,278
(3) Second class rails	20,028
(4) Heavy struct	29,915
(5) Light struct	13,986
(6) Bars	31,541
(7) Fishplates	6,026
(8) Light rails	2,854
(9) Sheet bars (tin bars)	29,660
(10) Plates	18,285
(11) Black sheets	5,735 (includes sheets used for pro- ducing galva- nised sheets).
(12) Galvanized sheets	1,865
Total finished steel (columns 2 and 4 to 11) .	247,280

Enclosure III.

Statement showing the estimated production of steel ingots for each period of six months commencing from 1st April 1925 to 31st March 1927.

	<i>Open Hearth.</i>	<i>Duplex.</i>	<i>Total.</i>
	Tons.	Tons.	Tons.
6 months to 30th September 1925	17,000	19,000	36,000
6 months to 31st March 1926	18,560	21,500	40,060
	<u>17,780</u>	<u>20,250</u>	<u>38,030</u>
6 months to 30th September 1926	17,000	22,000	39,000
6 months to 31st March 1927	18,560	26,000	44,560
	<u>17,780</u>	<u>24,000</u>	<u>41,780</u>

Enclosure IV.

Consumption of pig iron in the Works from April 1924 to September 1924 and October 1924 to March 1925.

	Tons.
April 1924	27,384
May 1924	29,241
June 1924	24,618
July 1924	32,418
August 1924	26,644
September 1924	24,988
Total for 6 months	<u>165,292</u>
October 1924	27,407
November 1924	32,612
December 1924	28,330
January 1925	34,125
February 1925	31,159
March 1925	32,460
Total for 6 months	<u>186,093</u>
Total consumption of pig iron in 1924-25	<u>351,385</u>

Enclosure V.

Statement showing total quantity of pig iron sold in 1924-25 the average price realised and the present price in India, for export.

(1) Total quantity of pig iron despatched during 1924-25	184,530 tons.
Average price realised	Rs. 48-13 per ton f.o.r. Tatanagar.
Quantity sold for export	133,242 tons at Rs. 46-5-3 per ton f.o.r. Tatanagar.
Quantity sold in India	51,288 tons at Rs. 55-4-3 per ton f.o.r. Tatanagar.
(2) Indian price of pig iron April to December 1924	Rs. 57 to Rs. 72 per ton f.o.r. Tatanagar.
Present prices for Indian requirements	Rs. 41 to Rs. 43 per ton f.o.r. Tatanagar.
(3) Export price at present	At Rs. 39 per ton f.o.b. Calcutta for large quantities.
	The price however depends on exchange.

Enclosure VI.

Statement showing number of Covenanted and Uncovenanted employees (direct) in

PRODUCTIVE DEPARTMENTS.

Departments.	Production in tons.		Covenanted Em- ployees No.		Uncovenanted Em- ployees direct Labour No.		Total Direct Labour No.		Tonnage per head per annum.		REMARKS.
	1923-24.	1924-25.	1923-24.	1924-25.	1923-24.	1924-25.	1923-24.	1924-25.	1923-24.	1924-25.	
Coke Ovens	612,171	728,874	..	..	2,603	2,591	2,603	2,591	235	281	
Blast Furnaces	471,651	577,695	10	13	2,196	2,028	2,206	2,041	214	283	
Open Hearth	193,422	206,133	85	81	1,208	1,174	1,243	1,205	156	171	
Duplex Plant	41,616	164,046	12	15	385	879	397	894	105	184	
O. H. & Duplex	235,038	370,179	47	46	1,598	2,053	1,640	2,099	143	176	
Old Blooming Mill (West)	181,540	154,059	3	3	305	284	308	287	589	537	
New Blooming Mill (East)	23,700	158,901	6	5	92	353	98	358	242	444	5 months in 1923-24.
Sheet Bar and Billet Mill	6,688	63,052	3	3	35	84	38	87	176	725	2 months in 1923-24.
Old Rail Mill (West)	93,121	85,943	13	10	1,338	1,168	1,351	1,178	69	73	
New Rail Mill (East) . . . . .	..	54,772	..	9	..	501	..	510	..	107	9 months in 1924-25.
Bar Mills (West)	41,206	33,799	3	1	973	813	976	814	42	42	
Merchant Mill (East) . . . . .	..	19,690	..	5	..	325	..	330	..	60	10 months in 1924-25.
Plate Mill	22,267	13,285	5	4	178	191	183	195	122	94	
Sheet Mill . . . . .	..	5,735	..	65	..	935	..	1,000	..	6	4 months in 1924-25.

Enclosure VII.

Dated the ^{11th}/_{14th} July 1925.

No. L-1889.

J. C. K. PETERSON, Esq., C.I.E., Jamshedpur.

DEAR SIR,

With reference to your note regarding information for the Tariff Board regarding the expected Indianization during the 18 months ending March 31st, 1927, wish to say that since the 1st of September last year to 1st of April 1925, 18 Covenanted hands have been dispensed with, who will not be replaced by Europeans. From the 1st of April 1925 to the 31st March 1927, we expect to dispense with a further 20 to 25; out of these,

One will be from the General Staff.
 One will be from the Mechanical Staff.
 One will be from the Brick Staff.
 Two will be from the Bessemer, and
 15 to 20 will be from the Rolling Mills.

Yours truly,

The Tata Iron & Steel Co. Ltd.,

C. A. ALEXANDER,

General Manager.

Enclosure VIII.

THE JAMSHEDPUR TECHNICAL INSTITUTE.

Notes on Technical Institute Apprentices.

The attached statements give particulars showing the arrangement of the Apprentices and passed Apprentices in the Works.

We have recruited 91 men since 1921 and have 69 on our books now. The number of rejections per annum is falling off and it is probable that our per cent. of successes will increase if we continue to maintain our recruiting standards. Of the first 23 men recruited in 1921, 13 have been given employment with the Company and 2 with the Mysore Distilleries.

All the 13 men taken on by the Steel Company are receiving favourable reports from the Works as regards their usefulness and progress and in the majority of cases the personal results are beyond what was generally expected in the time available.

The apprentices, right the way through from the juniors upwards, are getting every encouragement. The trouble and interest that the skilled hands are taking in the case of any Technical Institute boy who is willing to work is remarkable.

*Director,**Jamshedpur Technical Institute.*

JAMSHEDPUR,

11th July 1925.

Enclosure IX.

THE JAMSHEDPUR TECHNICAL INSTITUTE.

Statement showing Designation and Work of the 4th year men who have received a Contract on completion of their Apprenticeship.

Name of Plant.	Name of Student.	Designation.	Actual working job.
Blast Furnace	M. M. Ghosh . . .	Probationer Furnace Practice man.	Assistant Shift Foreman on Blast Furnaces.
	S. M. Murtaza . . .	Ditto . . .	Ditto.
	K. M. Choudhury . . .	Ditto . . .	Ditto.
	N. K. Chakravarty . . .	Ditto . . .	Is doing Special Technical work under the Superintendent; appears to be a Personal Assistant on administrative side.
Open Hearth	S. P. Singh . . .	Second Hand . . .	Occasional 1st Helper.
	M. B. Chatterji . . .	Ditto . . .	Ditto.
	B. P. Tewary . . .	Ditto . . .	Second Helper.
Rail Mills (West Plant) . . .	S. Sen . . .	Assistant Foreman . . .	} Takes his shift on West Plant Finishing end.
	A. Samad . . .	Ditto . . .	
Merchant Mill	B. N. Chakravarty . . .	Probationer Assistant Roller.	Merchant Mill.
	S. Sambasivan . . .	General Practice Apprentice for Open Hearth and Mills.	Assistant on special metallurgical work under General Superintendent.
	M. D. Kapila . . .	Ditto . . .	Ditto.
Bessemer	S. N. Ghosh . . .	Bessemer Blower Probationer.	Assistant to Blower.

Salary of each Rs. 200 per month.

Enclosure X.

THE JAMSHEDPUR TECHNICAL INSTITUTE.

Statement showing working position of the 3rd year men who will complete their apprenticeship on October 31st, 1925.

Name of Plant.	Name of Student.	Designation.	Job.
Blast Furnace	D. K. Mazumdar	Apprentice, Technical Institute.	General Training Blast Furnace.
	S. R. Mitter	Ditto	Ditto.
Open Hearth	T. M. Menon	Ditto	Second Hand Open Hearth.
	Md. Isa	Ditto	Ditto.
Special Metallurgical Work	D. K. Biswas	Ditto	Training at present for special metallurgical work under the General Superintendent.
	G. K. Dua		
	M. P. Rao		
Duplex Plant	J. N. Singh	Ditto	Second Helper, Talbot Furnace, Duplex Plant.
	A. R. Sharma		
Bessemer Converter	V. D. Talwar	Ditto	Assistant to Blower-Bessemer Converter.
	J. M. Bhushy		
Coke Ovens	P. L. Das	Ditto	Special statistical work under General Foreman in Coke Ovens.
	U. N. Das Gupta		
Sheet Bar and Billet Mill	R. Prasad	Ditto	Probationer Sheet Bar and Billet Mill Plant.
Sheet Mill	S. N. Roy	Ditto	Being trained as Foreman on finishing end of Sheet Mill.

Salary of each Rs. 60 per month.

The students of the 2nd and 1st years are still under general training in various departments excepting two who are doing second helper on the Open Hearth.

Enclosure XI.

THE JAMSHEDPUR TECHNICAL INSTITUTE.

Name of Plant.	Students admitted in 1921.	Students admitted in 1922.	Students admitted in 1923.	Students admitted in 1924.	TOTAL.
Blast Furnaces	4	2	..	..	6
Open Hearth (West)	3	2	12	16	33
Duplex Plant . . . . .	..	2	..	..	2
Bessemer	1	2	..	..	3
Coke Ovens . . . . .	..	1	..	..	1
Rail Mills (West)	3	..	1	6	10
Rail Mills (East) . . . . .	..	..	2	..	2
Sheet Bar and Billet Mill. . . . .	..	1	..	..	1
Sheet Mill . . . . .	..	1	4	..	5
Special Metallurgical Work	2	4	..	..	6
TOTAL	13	15	19	22	69

The above figures refer only to Technical Institute Apprentices, who are at present working in Jamshedpur, no account being taken of those who have been transferred or dropped from the Courses.

Enclosure XII.

THE JAMSHEDPUR TECHNICAL INSTITUTE.

Statement of Provincial list of students at present in the Institute.

Province.	Entered in 1921.	Entered in 1922.	Entered in 1923.	Entered in 1924.
Bihar and Orissa	7	4	8	7
Bengal	2	4	6	6
Assam . . . . .	..	1	..	1
United Provinces	1	..	..	1
Madras	1	2	2	3
Central Provinces	1	..	1	..
Punjab	1	4	2	2
Bombay . . . . .	..	..	..	2
TOTAL	13	15	19	22

	TOTAL	69
Transferred to Mysore		2
Messrs. Bird & Company		1
		72
Total number resigned, etc.		19
Total admitted		91

Enclosure XIII.

Statement showing the orders booked for the Month of June 1925, with the average price.

HEAVY STRUCTURAL.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
Government	37	160-41	..	..	37	160-41	37	160-41	37	160-41
Railways	9	132-66	..	..	9	132-66	9	132-66	9	132-66
Engineering Firms	628	152-45	66	133-00	694	150-62	628	152-45	628	150-62
Dealers	897	149-67	..	..	897	149-67	897	149-67	897	149-67
Miscellaneous	99	153-64	..	..	99	153-64	99	153-64	99	153-64
TOTAL	1,670	151-01	66	133-00	1,736	150-41	1,670	151-01	1,736	150-41

LIGHT STRUCTURAL.

Government	3	165-66	..	..	3	165-66	3	165-66	3	165-66
Railways	3	152-08	..	..	3	152-08	3	152-08	3	152-08
Engineering Firms	493	142-88	125	134-00	618	141-00	493	142-88	618	141-00
Dealers	672	126-18	..	..	672	126-18	672	126-18	672	126-18
Miscellaneous	137	120-45	..	..	137	120-45	137	120-45	137	120-45
TOTAL	1,308	132-92	125	134-00	1,433	133-08	1,308	132-92	1,433	133-08

Statement showing the orders booked for the Month of June 1925, with the average price.

BARS.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways	60	154-86	..	..	60	154-86	60	154-86	60	154-86
Engineering Firms	528	152-66	54	158-08	582	152-25	528	152-66	582	153-25
Dealers	3,170	135-93	..	..	3,170	135-93	3,170	135-93	3,170	135-93
Miscellaneous	604	131-07	..	..	604	131-07	604	131-07	604	131-07
TOTAL	4,382	137-55	54	158-08	4,416	138-26	4,382	137-55	4,416	138-26

N.B.—49 tons for wagons @180-65. 5 tons for P. C. Shed @ 134-00.

PLATES INCLUDING CIRCULAR PLATES.

Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways	41	154-48	..	..	41	154-48	41	154-48	41	154-48
Engineering Firms	298	147-26	132	140-36	428	145-00	298	147-26	428	145-00
Dealers	158	130-12	..	..	158	130-12	158	130-12	158	130-12
Miscellaneous	54	144-38	..	..	54	144-38	54	144-38	54	144-38
TOTAL	549	142-42	132	140-36	681	141-81	549	142-42	681	141-81

N. B.—57 tons for wagons. 75 tons for P. C. shed.

Statement showing the orders booked for the Month of June 1925, with the average price.

BLACK SHEETS.

	ORDINARY SALES.		SPECIAL SALES.		ALL SALES.		ADJUSTED PRICE ORDINARY SALES.		ADJUSTED PRICE ALL SALES.	
	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.	Quantity.	Price per ton.
	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.
Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways. . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	256	174-26	..	..	256	174-26	256	174-26	256	174-26
Dealers	886	177-10	..	..	886	177-10	886	177-10	886	177-10
Miscellaneous	214	173-86	..	..	214	173-86	214	173-86	214	173-86
TOTAL	1,356	176-01	..	..	1,356	176-01	1,356	176-01	1,356	176-01

GALVANIZED SHEETS.

Government . . . . .	..	..	..	..	..	..	..	..	..	..
Railways. . . . .	..	..	..	..	..	..	..	..	..	..
Engineering Firms	7	288-88	..	..	7	288-88	7	288-88	7	288-88
Dealers	1,429	296-88	..	..	1,429	296-88	1,429	296-88	1,429	296-88
Miscellaneous	132	302-96	..	..	132	302-96	132	302-96	132	302-96
TOTAL	1,568	297-29	..	..	1,568	297-29	1,568	297-29	1,568	297-29

Statement V.—Further Supplementary Statement, dated 27th July 1925.

With reference to your letter No. 391, dated the 21st July 1925, I return the evidence duly corrected.

I also quote below for the information of the Board a telegram from Messrs. Suzuki, Ltd., Kobe, which reads as follows:—

“Referring to your telegram No. 21, pig iron imported into Japan from India 157,500 tons, China 165,000, Sweden 15,500 tons, South Manchuria 93,000, others 4,000 tons total 435,000. Chinese pig iron chiefly sold to Seitetsujo Yawata not in the market, market price last December Indian pig iron No. 3 grade, Japanese pig iron No. 2 grade, Anzan pig iron special No. 1 grade, Yen 50.00 f.o.b. parity Rs. 37.50.”

The Board will note that Indian pig iron forms about one-third of the total imports into Japan and that the market price last December, when our sale was made at Rs. 39 f.o.b. Calcutta, was Yen 50.00, or Rs. 37-8-0 f.o.b. Calcutta.

We also enclose copy of a cable from Messrs. Suzuki & Co., Ltd., Kobe, to their Bombay Office, dated 26th February 1925 and an extract from the “Iron Age,” dated 15th November 1923, giving production of pig iron in Japan, its imports and exports and home consumption.

P.S.—Since writing the above Messrs. Suzuki & Co., Ltd., Bombay, have received a further cable from their Kobe Office reading as under:—

“Referring to your telegram No. 23, pig iron production in Japan during last year excluding Seitetsujo Yawata which have no connection with the market 193,600 tons besides production South Manchuria 133,000 tons out of which 93,000 imported into Japan as per our telegram No. 98. Estimated production from July 1925 to June 1926 Japan 310,700 tons, South Manchuria 225,800 tons most of which will be imported into Japan.”

We trust that this is the information which the Board requires.

Copy of Cable from Messrs. Suzuki & Co., Kobe, to their Bombay Office, dated 26th February 1925:—

No. 28. Mitsui Bishi Trading Co., Ltd., and others selling their pig iron about Yen 48.00 forward delivery, therefore advisable to sell immediately Tata pig iron basic and/or Foundry. Fix price new contract f.o.b. Rs. 38 Tata pig iron basic, Tata pig iron No. 4; Rs. 39, Tata pig iron Foundry No. 3, May-June shipment divided equally 6,000 tons, July-August, September-October, November-December shipment divided equally 6,000 tons, balance 2,000 tons, monthly will fix later. March-April shipment at our option. Are endeavouring to take as much as possible at the same price.

Extract from "The Iron Age" dated New York, November 15, 1923.

THE IRON AND STEEL INDUSTRY OF JAPAN.

Production, Imports, Exports, Home Consumption and Source of Pig Iron (Amounts in 1,000 Metric Tons).

Character of Production.	1897.	1907.	1913.	1914.	1915.	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923												
Coke																									
Japan	26.1	145.5	240.3	300.2	317.7	388.7	411.3	446.7	520.1	444.0	437.0	..	..										
Charcoal														18.2	37.5	47.0	31.2	13.5					
Synthetic and Electric														21.2	98.6	28.4	45.9	25.4
Korea Coke														42.7	78.4	84.1	83.0
South Manchuria Coke														29.9	49.0	38.6	45.7	106.1	116.0	93.9	..
TOTAL	26.1	145.5	240.3	300.2	347.6	437.7	489.3	671.2	780.0	721.2	652.8	..	..										
Imported	39.0	103.4	265.1	160.1	166.8	232.0	232.2	225.1	283.2	348.6	227.1	341.0*	349.5†												
Production and Imports	65.1	248.9	505.4	469.3	514.4	669.7	721.5	896.3	1063.2	1069.8	879.9	..	..										
Exported	..	0.4	0.4	0.2	0.4	1.6	3.3	1.1	1.9	2.5	..	..	..									
Consumption	65.1	248.5	505.0	469.1	514.0	668.1	718.2	895.2	1061.3	1067.3	879.9	..	..										
Origin of import—																									
China	..	..	59.9	55.2	82.9	102.4	109.8	157.7	95.2	140.7	76.2	..	..										
England	..	..	99.4	60.2	36.7	31.6	5.5	17.8	44.8	58.6	22.6	..	..										
Germany	..	..	11.3	6.3	..	0.4	..	..	..	0.5	3.4	..	..										
Sweden	..	..	12.1	11.2	6.7	2.8	3.8	4.2	10.8	14.2	18.1	..	..										
America	..	..	0.5	3.2	1.0	3.7	24.8	13.0	35.6	35.5	1.2	..	..										
India	..	..	81.9	31.4	38.0	62.8	61.1	7.1	28.9	47.9	34.4	..	..										
Other countries	..	..	..	1.6	1.7	28.5	27.3	25.2	68.0	51.2	71.2	..	..										
Production in per cent of consumption.	40.0	58.0	47.6	64.0	67.6	67.0	68.0	75.0	73.7	67.5	74	..	..										

* Iron and Coal Trades Review 31-8-23.

† " " " " " 26-6-25.

Statement VI.—Letter, dated the 5th August 1925.

We understand from our Mr. S. K. Sawday that you wish us to furnish you with the figures of production at our Works from April 1923 to March 1924 in the same way as has been furnished for the year 1924-25. We therefore enclose six copies of a statement giving the production for the year ending 31st March 1924.

Enclosure.

Production for the year 1923-24.

	Tons.
(1) Pig iron	442,571
(2) Heavy rails	75,646
(3) Second class rails	6,949
(4) Heavy structurals	17,122
(5) Light structurals	10,586
(6) Bars	24,970
(7) Fishplates	2,914
(8) Light rails	2,736
(9) Plates	22,267
(10) Tin bars	6,688
Total of (2) & (4) to (10)	162,929

NOTE.—As the Sheet Bar and Billet Mill started only on 21st January 1924, Tin Bars had to be rolled on the Plate Mill, which has increased the Plate Mill tonnage. This should be noted when comparing the 1923-24 production of Plate Mill with later years. We are unable to state exactly how much Tin Bars were rolled on the Plate Mill. The approximate tonnage is about 15,000 tons.

Statement VII.—Letter, dated the 27th July 1925.

With reference to our conversation last Friday, I send you herewith copy of a market report from Japan which tends to show that the price of pig iron for Japan are fixed not by Indian competition only but by competition of other manufacturers also.

Copy of a letter, dated the 1st June 1925, from Messrs. Suzuki & Co., Ltd., Post Box No. 236, Kobe, to Messrs. Tata Iron and Steel Company, Limited, Bombay.

As we informed you by our letter dated 6th ultimo, the meeting of Japanese-makers and importers of pig iron was held on 8th and 9th ultimo. The parties present were:—

- The Nippon Steel Works Limited (Wanishi pig iron—Mitsui's).
- The Kamaishi Mining Company, Limited (Kamaishi pig iron—Mitsui's).
- The Mitsubishi Iron and Steel Works Limited (Kenjiho pig iron).
- The Toyo Iron Works Limited (Toyo pig iron under control of Imperial Steel Works).
- The South Manchuria Railway Company, Limited (Anzan pig iron).
- The Okura Mining Company, Limited (Honkeiko pig iron).

Kishimoto Shoten Limited (Importers of Bengal pig iron).

The Indo Japanese Trading Company, Limited (Importers of Burn pig iron).

Suzuki & Co., Ltd. (Importers of Tata pig iron).

Japanese makers firstly intended to prevent importation of pig iron by all means, but according to our strong protest it was at last reached to draft to restrict production by 25 per cent. The draft is now considered by every party concerned and will be discussed again later. The next meeting day is not fixed yet. We will protect and insist the interests of your pig iron in our market.

In February last, our market price for Indian pig iron No. 3 grade and Japanese pig iron Nos. 1 and 2 was mentioned at about 50.00 per ton delivered at buyer's works, but import duty included, in anticipation of import duty will be raised.

But in March it was made public that the import duty will not be raised this year (tariff in force is at 10 sen per 100 kin., i.e., about Yen 1.70 per ton) and price began to decline rapidly as the market was oversupplied and Kenjiho Nos. 1 and 2 and Wanishi Nos. 1 and 2 were sold at Yen 48.00 average in Tokyo market and Indian pig iron No. 3 grade was also transacted in Osaka market at same price.

The market had not reached to the bottom at this price and continued to decline, and in April business was closed at 45.50 for Indian pig iron and Japanese pig iron and Anzan pig iron No. 1 was sold at a new low price of Yen 45.00 per ton delivered at buyer's works import duty included.

The above decline in price fundamentally originate in over-supply and makers and importers are discussing how to maintain market as previously informed you. Therefore price is maintained at Yen 46.00 from last month up to now.

But it is doubtful whether all suppliers will really restrict their production or importation, it is expected that market will continue weak in the future.

THE TATA IRON AND STEEL COMPANY, LIMITED.

B.—ORAL.

Oral evidence of Messrs. J. C. K. PETERSON, C.I.E., and
S. K. SAWDAY, recorded at Calcutta on
Monday the 6th July 1925.

President.—At the outset, Gentlemen, perhaps I might say a word about the Resolution of the Government of India in which they have referred the question for investigation to the Tariff Board. The operative part of it runs as follows:—

“ The Tariff Board is now requested to re-examine the whole question in accordance with the undertaking given therein. They will consider—

- (1) whether in view of the conditions of the industry and of the probable level of prices of steel articles the protection afforded by the Steel Industry (Protection) Act to the manufacture of the articles enumerated therein should be supplemented beyond the 30th September 1925;
- (2) if so, for which of those articles is further assistance required and in what form and for what period should it be given.”

The words in the opening sentence ‘ to re-examine the whole question ’ might possibly suggest that the scope of the reference is a good deal wider than in fact it is. The view that we take has been explained in our communiqué. The whole question to be re-examined is the extent to which it is necessary to supplement the protection given by the Steel Industry (Protection) Act. Therefore, the main question we have to consider is in what respect circumstances have changed since the time of the original Report and since the Board reported in November last. The most important point is the question of prices. It is possible, however, that there may be one or two other aspects of the case on which it may be necessary to touch. I think, Mr. Peterson, your conception of the enquiry is substantially what I have stated.

Mr. Peterson.—I am not sure of the meaning of the word ‘ extended.’ I take it that it means ‘ extended for the period of the Steel Protection Act.’

President.—That is clear. We are not at present asked to make the enquiry, which is, in any case, inevitable before the expiry of the Act.

Mr. Peterson.—That was the only point which occurred to me.

President.—I should like to thank you for putting in the written statement. It makes it pretty clear what you are asking for, and what are the questions about which the Board will have to make up their mind. I understand that in the first place you ask for the continuance of the present bounty of Rs. 20 a ton calculated on 70 per cent. of the total ingot output of the Company.

Mr. Peterson.—Yes.

President.—But with this difference that, whereas under the Resolution of the Legislative Assembly passed last January, the limit of Rs. 50 lakhs for the year was imposed, you now suggest that there should be no such limit.

Mr. Peterson.—Yes.

President.—You also suggest that, whatever assistance may be given, should be definitely sanctioned for the period of 18 months between the 1st of October next and the date on which the Steel Industry (Protection) Act will expire.

Mr. Peterson.—Yes.

President.—Finally—this is the only point I am not sure about—you suggest that there should be an additional bounty on the ground that the Indian railways are now content with Continental rails instead of British rails, and that it very seriously affects the sales of your rails outside the Government contracts. It is not clear what precisely you are asking the Board to recommend.

Mr. Peterson.—I suggest that instead of the original bounty, which I think is Rs. 32 a ton, being reduced, as it will be reduced in this year and in the next year under the Steel Industry (Protection) Act, it should be maintained at Rs. 32 a ton and that, in order to provide for this, an addition should be made to any general bounty recommended by the Board.

President.—That is rather a question of the machinery by which assistance is given. One way would be to increase the bounty on the ingot production by whatever amount was necessary to compensate the lower prices you may get for rails sold outside the contracts. What is not clear to me is what your estimate is of the amount involved.

Mr. Peterson.—I have endeavoured to give that in the Statement which we sent in. We have given the actual orders placed last year by Indian railways outside our contracts. We have given the estimates for this year and next year—estimated price and estimated orders. I think that the total comes to about Rs. 21 lakhs.

President.—Could you indicate the passages I am to look at?

Mr. Peterson.—Please see paragraph 7. At the end there is a sum of Rs. 4,35,612, which is the difference between the price estimated originally by the Tariff Board and the price actually obtained.

President.—The figures given for the Bengal Nagpur Railway are for the current year.

Mr. Peterson.—Yes. The second figure is Rs. 7,06,874 given at the end of paragraph 6, which represents the difference between the price estimated by the Tariff Board and the price actually obtained from orders outside the contracts last year; and the third figure is the figure for next year, which we have estimated for the Palmer Railways. Taking the total difference in price, the figure would be Rs. 10,88,596.

President.—That is only the Palmer Railways.

Mr. Peterson.—Yes. The Railway Board contract does not come in, because the contract expires with the expiry of the Steel Protection Act.

President.—I have two criticisms to make on the claim based on these figures. One is, what about the Bengal Nagpur Railway's requirements next year.

Mr. Peterson.—I have left that out of account. It is a mistake.

President.—On the other hand, I don't quite see why the Board should take into account what you may have lost last year on the East Indian Railway order.

Mr. Peterson.—I simply calculated for the three years. On the other hand, there is another thing that might be taken into account, that is any loss there may be over the Great Indian Peninsula and East Indian Railways, which have now been taken over by the Railway Board.

President.—Surely they come under the Railway Board contract.

Mr. Peterson.—But they may exceed the Railway Board contract. The Railway Board's contract is for 300,000 tons in seven years.

President.—What is the balance left?

Mr. Peterson.—It is a fairly large balance. The new Central Coalfields Railway are now beginning to order rails.

President.—That is the East Indian Railway!

Mr. Peterson.—I am not sure to whom that is going to be given over for management. The view I take of the Railway Board orders is that they would probably be covered by the contract.

President.—I think that there was some statement made in our last enquiry to that effect. I do recollect distinctly at the time of the first enquiry that the Railway Board in the earlier years of the contract had not been taking the quantity expected.

Mr. Peterson.—Quite so.

President.—I understood that, because of the Great Indian Peninsula and the East Indian Railways coming under the Railway Board, they would make larger purchases in later years and that it would to some extent explain the earlier deficiencies.

Mr. Peterson.—It is very difficult to estimate the total requirements of the Indian Railways next year. I think the Railway Board put it at 120,000 tons. Before that we had an estimate of 150,000 tons. We have supplied 144,000 tons for five years, including fishplates. That leaves about 160,000 tons for two years. It is probable that the contract will cover all the supplies.

President.—Then, you have got to supply 80,000 tons a year for two years to the Railway Board. It does not leave a lot to the other railways in India.

Mr. Peterson.—They gave us a figure of 120,000 tons for next year. The demands of the Palmer Railways are about 35,000. We will be supplying to the Railway Board about 90,000 tons. It is very difficult to estimate what the actual demands for this year or next year will be.

President.—For all the Indian railways?

Mr. Peterson.—Yes.

President.—How much more are you going to supply?

Mr. Peterson.—We are reckoning on a supply of 130,000 tons.

President.—What is your figure in the estimate which you have given of production?

Mr. Peterson.—130,000 tons.

President.—You cannot increase that very much.

Mr. Peterson.—The Railway Board do not at present estimate more than 120,000 tons. We have taken 130,000 tons for safety.

President.—There are two ways in which the demand may be limited, one by the ability of the Railways to consume it and the other by the ability of the Company to produce it.

Mr. Peterson.—We can make it.

President.—It depends on how far it would be reasonable to restrict your output in other directions.

Mr. Peterson.—That question arises.

President.—You are anxious to get more rail orders in order to get cheap production in that way, but you cannot afford to lose your hold on other markets which may be of importance to you. Therefore, you may be unwilling to cut down your output of other kinds of steel below a certain figure. If you were getting a full output, as originally estimated, of 420,000 tons, you could no doubt raise your output of rails to 150,000 tons. But if your output is restricted to 350,000 tons, you may not be able to increase your rail output very much. However, the main point from which we diverged is this, if we take into account the lower price you are likely to get for rails sold outside the contracts, I certainly think that you ought to include the rails that might be supplied to the Bengal Nagpur Railway in 1926-27, but at present I feel some difficulty in going back into the past and taking into account rails supplied at a lower price to the East Indian Railway last year.

Mr. Peterson.—I think that it would be a reasonable way of treating it.

President.—The thing that I am proposing to include will about balance what I am proposing to exclude.

Mr. Peterson.—Probably.

President.—Will you just take a note of it and let me know definitely?

Mr. Peterson.—Yes.*

President.—Could you give us the total quantity of rails which the Bengal Nagpur Railway might take?

Mr. Peterson.—About 14,052 tons a year—see paragraph 7 of the representation.

President.—Supposing the total reduction in the rail price occasioned in this way is likely to be Rs. 21 lakhs, that would probably be about Rs. 14 lakhs a year?

Mr. Peterson.—Yes.

President.—On a total output of finished steel of, say, 350,000 tons, it would probably be about Rs. 4 a ton spread over the whole output?

Mr. Peterson.—That would be about right.

President.—What you have got to consider in this case is this. I think that the amount of the bounty on rails is fixed by the Act itself.

Mr. Peterson.—Yes.

President.—It may not be possible to interfere by a Resolution of the Legislative Assembly with the Act. Therefore, it would be a simpler plan, instead of interfering with the Act, to increase the amount of the bounty which would, I take it, again be sanctioned by a vote of the Legislative Assembly.

Mr. Peterson.—I think that that would be the easiest thing to do. I have suggested that in paragraph 10.

President.—I wanted to be sure of it. The figure I have provisionally suggested is approximately equivalent to what you are asking for. I think it would be better if you tell me to-morrow. One makes mistakes in working hurriedly.

Mr. Peterson.—Yes.

President.—In effect, supposing the bounty were fixed at Rs. 24 a ton and your estimates of your future production are realised, it would be something like Rs. 70 lakhs for the current year.

Mr. Peterson.—It would be Rs. 70.48 lakhs.

President.—For the moment, we can take 70 per cent. of ingot as finished steel.

Mr. Peterson.—Yes.

President.—I notice in the statement you have just referred to, your calculation is based on the average price of the last eight months.

Mr. Peterson.—Yes.

President.—Therefore, the underlying assumption must be that the Board would be safe in taking the average price of the last eight months as being the prices likely to be realised in the 18 months following the 1st of October?

Mr. Peterson.—I don't think it would be strictly that. As a margin of safety, we suggest that there should be no limit to the bounty which might be given. The present prices are a little lower and a rise in the Continental exchange will probably make them still lower.

President.—I will come to the various points. I understand that the "no limit" proposal is a margin of safety.

Mr. Peterson.—It is intended to meet the fall in price that may be expected as compared with those prices realised for the last eight months.

* See Statement IV, para. 2.

President.—I would like to suggest to you the difficulties. The Legislative Assembly may not be keen in sanctioning the bounty without a definite amount.

Dr. Matthai.—It will be rather hard on those who have to frame the budget of the Government of India.

President.—I am putting to you a broader point, and it is simply this. I think you will find that both the Government of India and the Legislative Assembly would be averse to it. If they are going to commit themselves to the full period of 18 months, they would like to have an idea of the liability.

Dr. Matthai.—The budget of the Government of India, as it stands at present, is enough of a gamble in various ways. You are introducing the Continental exchange into it.

President.—It is a practical objection.

Mr. Peterson.—Yes.

President.—The Board will have to take into account what we consider a reasonable estimate. I quite admit that it is difficult to foretell conditions. But your margin of safety works both ways. It gives you the extra sum that you require when prices go down, but also gives you an extra sum that you don't require when prices go up.

Mr. Peterson.—I have not contemplated the prospect of any rise in prices.

President.—What I am inclined to suggest is that, with a larger production you are likely to get this year and next year, the limit ought to be higher than it was for the last 12 months, but I feel that there will be a good deal of difficulty in not having any limit at all.

Mr. Peterson.—That I understand.

President.—You might consider and let us know.*

Apart from the 'no limit,' what you are practically asking the Board is to take the average price of the last eight months as the basis.

Mr. Peterson.—Yes.

President.—My personal view is that there are no signs of a probable increase in steel prices. If anything, prices might even go lower but any further drop would make it extraordinarily difficult for steel works in Europe to carry on at all. That is the only safeguard against a fall in prices. You have indicated in the last month also there has been a heavy fall in the French and Belgian exchanges. I have not verified the figures you have given for the difference between the rupee-franc exchange in September last and at present, but I was surprised to see that the difference was so high.

Mr. Peterson.—There has been a recovery since then. It would be useful if we gave you the details of our calculations.

President.—What I would like to have is the dates which you have taken.

Mr. Sawday.—The franc is now a little stronger.

President.—What I want to know is the precise dates. You have said September. Is it the average for the month or for one particular date?

Mr. Sawday.—It is the average.

President.—As regards the second date, all that you have said is 'current exchange' or some such phrase.

Mr. Sawday.—That was for a definite date.

Mr. Peterson.—We will give you the information later.†

President.—On the question of these foreign exchanges, there are two points which have got to be taken into account. One is that we know from

* See Statement IV, para. 3.

† The information was supplied on the second day of hearing and is on the first page of record of that date.

what we see in the newspapers that the French Government apparently do not want to stabilise the franc above Rs. 100. We have to take into consideration the fact that the people responsible for the government of France will do all that lies in their power to prevent the exchange going down, but whether they will be successful or not is another matter. The second thing is, even supposing the exchange did continue at such a low level, it may be followed by a rise in wages which would counter-balance the low exchange.

Mr. Peterson.—Since there has been a fall in exchange, there is a fall in prices in India.

Mr. Peterson.—We find it difficult to keep our prices fixed now. There has been a fall last month.

President.—Assuming that the Board found themselves unable to accept your proposal that there should be no limit to the bounty, is there any suggestion which you can make about the marginal allowance on account of the low franc exchange?

Mr. Sawday.—You will remember that in Bombay last September you enquired about the possibility of adapting any help we might receive to the state of the exchange, but came to the conclusion it was not possible.

President.—The difficulty in this particular case is that it mixes up the question of international politics with finance. It is difficult to say what will happen in France. So long as we were dealing with the rise of the rupee to 1s. 6d., we were on firmer ground, but what the franc exchange is going to be is not within our purview.

Mr. Peterson.—I think the limit might be put at Rs. 60 lakhs.

President.—Does that include what you want for the rails?

Mr. Peterson.—No. The rail position is more difficult. The Bengal Nagpur Railway have told us that they would be prepared to accept our tender if we quoted them prices which compared favourably with Continental prices.

President.—If the Bengal Nagpur Railway had freedom to buy Continental rails and did buy them, I imagine all the contracts would be on the same line.

Mr. Sawday.—The East Indian Railway, according to our information, placed an order for rails in Germany a few days before they became a Government railway.

Mr. Peterson.—I suggest Rs. 60 lakhs as the limit of the bounty.

President.—I understand now. Coming on to this question of prices in more detail, what changes have taken place since October last in the sterling price of steel?

Mr. Sawday.—In October last particular stress was laid on the difference between the prices of Continental and of British steel. That difference is closing down. To a slight extent also the prices during the last six months in India have been vitiated by the large stocks, and, while there has been a small fall in the price of Continental steel, there has been a considerable fall in the price of the British steel.

President.—Taking the sterling price, the figures I have got do not show that there has been any fall in the price of Continental steel at all both c.i.f. and f.o.b. Beginning with the f.o.b. prices, the price of Belgian bars up to the end of May was not higher than it was in October 1924. Joists were 2 shillings lower. Plates were 6 shillings higher. They had been distinctly higher in December, January and February and then began to fall. The average for bars is £5-12-8, joists £5-8-0, plates £6-16-11, the exchange being almost exactly the same. What are your lowest prices c.i.f. for Continental bars?

Mr. Sawday.—£6-12-0.

President.—The Board assumed £6-10-0 in their proposal last October, so that even now it is not lower than that.

Mr. Sawday.—There is a slight fall.

President.—This price of £6-12-0 that you have just quoted, is that the cabled price? What date is it?

Mr. Sawday.—Yes. That is up to date.

President.—If so, even with a fall in the exchange, apparently the prices have not gone down below the level we assumed in our proposal last October. And it also suggests this that the Continental steel producers, even with the advantage of a rise in the rate of the franc exchange, have not been content to accept the same price. As the exchange has gone up they could raise their prices—it all depends on how far they were booked up these orders. The reason why I mention this is that it does throw a certain amount of light on the fact that a fall in the exchange need not necessarily produce its full effect in the way of reducing the prices here as you think it might.

Mr. Sawday.—Of course, the freight from Antwerp has been greatly pushed up.

President.—What is it now?

Mr. Sawday.—22s. 6d. It has gone up to the British freight. They have promised a fall of 5 shillings but from what date it is not yet settled.

President.—I am surprised to hear that. In most parts of the world the conditions of the shipping market are such that freights are below the pre-war level.

Mr. Sawday.—You will recollect when you enquired last year the freight from Antwerp was below the freight from Middlesborough. They are both 22s. 6d. to-day but Belgian freight is going to fall.

President.—I am looking again at the c.i.f. prices you yourselves have given of Continental beams. The price is £6-11-0 for October and £6-9-0 for May. That corresponds closely with the quotations in the Iron and Coal Trades Review. There is a slight fall. The price of Continental plates was £7-15-0 in October and is £8 now. Therefore, for practical purposes, the c.i.f. prices of Continental steel in India are not lower at present than the prices the Board took as the basis of their calculations. On the other hand, there has been a very distinct fall in the price of British steel under the influence of the Continental price.

Mr. Peterson.—Perhaps the Board would like to have this information which we have received by this mail. "An English firm has booked 20,000 tons of 80 lb. British standard rails at £6-15-0 f.o.b. for South Africa, while a Belgian works have just quoted for 19,000 tons of 60 lb. British standard rails at £5-7-0 f.o.b. Antwerp for South Africa."

President.—Apart from the special price British firms may quote for big orders, there has been a definite fall in practically every kind of steel in the ordinarily quoted export prices and it is not necessary to go into the details.

Dr. Matthai.—If you take Continental bars, what is the difference between the British and Continental prices?

Mr. Sawday.—In May there was approximately a difference of £3 between British and Continental bars. But the price of the British material is misleading to this extent that the British firms often drop their extras, which are taken into account in calculating the above differences.

President.—Although that may be of great importance in the case of large orders for British bars, they would be almost unknown now. If the total order is something like 1,000 tons a month, there cannot be many big orders.

Mr. Sawday.—There is one big order we can tell you about.

President.—You must, of course have studied the recommendations we made in our Report last year. In considering our recommendations we tried to determine how far you were likely to reduce your prices. Do you think the position has changed materially since then, apart from this question we have mentioned about the fall in the franc exchanges?

Mr. Sawday.—Yes.

President.—Our proposals were mainly based on Continental prices but we made allowances for the higher prices you might get on account of your freight advantage, Metallurgical Inspector's certificate and things of that sort, and, therefore, the fall in the British price was already discounted. You have given us a note* about the substitution of Continental for British materials by users in India and the most important point is the purchase of Continental rails instead of British rails. Also you have referred generally to a tendency on the part of railways to purchase Continental material where quality is not regarded as of great importance. I gather that apart from these two things there has not been much change in the conditions in the steel market as regards the use of Continental steel except in the case of railways. The process of substitution had already gone so far last October that there is not very much further to go.

Mr. Sawday.—That is right.

President.—It would be useful to turn now to the prices you have actually been realising. In the case of heavy structural sections, there is one point I want to ask you about the special sales last year. You asked us to leave them out of account on the ground that the steel covered by these orders was rather more expensive to produce than ordinary mild steel, and that, therefore, if the prices of the special steel were taken into account, the prices realised would tend to be unduly high. I notice that in recent months the effect of taking the special sales into account is to reduce the price, but I do not observe any suggestion that the special sales should be excluded! Are the two big orders, one in March and the still bigger order in April, wagon building orders?

Mr. Sawday.—The main special order of 9,000 tons is material for the Port Commissioners' shed.

President.—In what sense were these special sales?

Mr. Sawday.—They were sold at a special price.

President.—Is it special quality of steel?

Mr. Sawday.—No; ordinary British standard mild steel.

President.—Last time the only things you asked us to class as special sales were special qualities of steel, and the steel for wagon building, some of which was of special quality, and the rest treated as part of the same transaction. Instead of charging the ordinary price for mild steel and a higher price for special quality steel, an intermediate price was fixed for all the steel ordered. If the only special thing about your special sales this time is that the prices are unusually low, I certainly won't exclude them in calculating the average price. Supposing you were selling to dealers in Calcutta, would you get more or less?

Mr. Sawday.—We are now selling joists at Rs. 145 to Rs. 150 to the ordinary dealer in Calcutta.

President.—What is the reason for these specially low prices? Is that a specially large order?

Mr. Sawday.—We were badly in need of orders and we hoped it would come a bit sooner. The tender was put in long ago but was not accepted till March or April. Orders were placed in March and April but our tenders were passed in October much below the import price for this size of order.

President.—Conditions have not changed materially since then and therefore I am quite prepared to accept it that you would not get much more than that when it is a big order.

Mr. Sawday.—Yes.

President.—Then the two special sales, in January 772 tons at Rs. 154 and in May 251 tons at Rs. 145, are these wagon building orders?

Mr. Sawday.—Yes.

* See Statement II, Enclosure XXIII.

President.—What I notice about the average price of these heavy structurals is that there was a distinct drop in May. What is the significance of that particular fall in May?

Mr. Sawday.—Our prices to engineering firms delivered was Rs. 150. It has gone down to Rs. 145 and is tending to go down further to Rs. 140 in Calcutta. As I explained to you last time, we deal with these firms on the same basis in principle but differently in practice. The fall shown by us may be greater or less than the real fall if the fall for firms coincides or not.

President.—Then it is to a certain extent casual?

Mr. Sawday.—Yes.

President.—As regards these heavy structurals, you do not attach any great importance to the fall of price in May? What I notice is that on the whole the prices for October, November, December and some cases for January were distinctly higher than the prices we assumed.

Then in the case of light structurals, there the most noticeable feature is the very marked way in which the average price of light structurals has fallen from Rs. 150 in October to Rs. 130 in May, but there was a rally in March. That was apparently due to a big purchase by Government.

Mr. Sawday.—Yes.

President.—And in December it was Rs. 138.

Mr. Sawday.—Yes.

President.—What was that due to? You will find also the relation between the price of light structurals and heavy structurals is very different from what it was in June to September of last year.

Mr. Sawday.—These prices are affected by the difference in price from month to month. Taking the whole period the prices have dropped.

President.—The average prices for the whole of the 8 months are a good deal lower for light structurals than for heavy. In June to September of last year it was the other way round.

Mr. Sawday.—The February orders are due to a 500 tons order from one dealer.

President.—The average price to dealers is Rs. 125?

Mr. Sawday.—Yes, of course the extent to which Government orders puts up the price a good deal.

President.—I have not completed my comparison of the figures yet and I don't clearly see yet what the explanation is of the fall and of the relatively low prices for the whole 8 months.

Mr. Sawday.—For instance, between March and May there is Rs. 19 difference. You see Government ordered 666 tons.

President.—That I understand. Government took a very much larger quantity. Would that be an up-country order?

Mr. Sawday.—That is a Posts and Telegraph's order.

President.—You have got two very low months for the dealers' prices. One is February and the other is May, the price for February being Rs. 125 and for May Rs. 126.

Mr. Sawday.—The orders are nearly all for Calcutta.

President.—Where you don't get the freight advantage?

Mr. Sawday.—No, a great many parts of the up-country markets are now closing. Delhi is our best up-country market and for the time being has stopped orders because I am asking for the full freight advantage, whereas formerly they used to buy at a good deal less and the demand from the Central Provinces is entirely seasonal. In February or so it stops. We get nothing from freight.

President.—Then as regards the purchase of engineering firms, I notice that on the whole there is not very much difference between the average

price for heavy structurals and for light. Does that mean they are purchasing on the basis of Continental steel chiefly?

Mr. Sawday.—Yes.

President.—There are not so many extras on Continental steel?

Mr. Sawday.—The ordinary angle is Rs. 150 or Rs. 155 British standard. They will be buying Continental for Rs. 130.

President.—The average price for heavy and light structurals together is a little above what the Board anticipated?

Mr. Sawday.—Yes.

President.—Coming on to the bars, the Board seem to have scored a bull's eye. The average price is almost exactly the same as our estimate. The bar prices on the whole have been steady at about the same level pretty well all through. As early as December it was Rs. 141 and in May again it was back at that figure, after being a little higher in the interval.

Mr. Sawday.—I may mention one of the reasons which tends to explain the steadiness in the bars. For the last two or three months we are not differentiating untested angles and untested bars for Calcutta.

President.—In what sense?

Mr. Sawday.—Bars pay a ten rupees extra duty. Owing to the high stocks it was very difficult to get a higher price to begin with. But as the stocks have gone down, and it has been possible to get a better price for bars up-country, I have not been able to differentiate yet, because freight business is new to the dealers and it is no good complicating business too much by greatly differentiating for bars from angles.

President.—I understand the difference you make in the sales policy up-country. Instead of quoting an inclusive price, you quote Jamshedpur price plus freight?

Mr. Sawday.—Yes.

President.—And in fixing your Jamshedpur price you take into account the freight advantage you have to that particular place?

Mr. Sawday.—Yes.

President.—It is to your interest to sell where you have the freight advantage.

Mr. Sawday.—Yes.

President.—Turning to light structurals again, I take it that the January special sales are for wagon building?

Mr. Sawday.—That is right.

President.—And in March?

Mr. Sawday.—Yes.

President.—What about April?

Mr. Sawday.—Port Commissioners' orders.

President.—The May order is so small that it is not worth while going into it. Did these wagon building orders include special quality of steel?

Mr. Sawday.—It is the same as bars.

President.—It is an all round price?

Mr. Sawday.—Yes.

President.—Coming back to bars, you had special sales in October, first to the Railways and second to the engineering firms.

Mr. Sawday.—Railways are shown as special sales. As regards the special sale to Railways, I mentioned to you last time the Oudh and Rohilkand Railway asked for 110 tons of 1½". We quoted the price of British standard bars. They said they could get bars for Rs. 140, so we issued it at that price.

President.—That was only special in the sense you thought the price was very low.

Mr. Sawday.—Yes.

President.—Were the special sales to engineering firms for wagon building?

Mr. Sawday.—Yes.

President.—I take it that the small order in May is also for wagon building.

Mr. Sawday.—Yes.

President.—What about February and March?

Mr. Sawday.—I cannot remember what these are.

President.—The quantities are so small that it is not worth while going into it. In April and May there are big orders. Are these for wagon building?

Mr. Sawday.—Yes.

President.—Why do two months orders by wagon building firms for bars amount to more than 1,000 tons, when there are no orders for any other section during these two months for wagon building?

Mr. Sawday.—There was an order in May for heavy structurals for 251 tons but none for light structurals.

President.—Had it been heavy structurals I could understand it. The quantity of bar used on wagon building is much less than of structurals. Indeed 810 tons ought to suffice for a large number of wagons.

Mr. Sawday.—Yes. If you like I will look up and see what they are.

President.—The price to the dealer in some months was unusually low. In December it was Rs. 134 and in January Rs. 135. What proportion of the bars do you sell to dealers up-country where the freight advantage comes in?

Mr. Sawday.—Two-thirds. But we don't get the Calcutta price *plus* the freight advantage, because in Calcutta the dealer who buys is comparing your prices with the cost of buying from the Continent, and you can therefore quote pretty well up to that. The dealer up-country is comparing your prices with the Calcutta price, but he gets from Calcutta two or three tons at the same rate and gets immediate delivery. And that means you cannot get the Calcutta price *plus* freight advantage.

President.—Take the present landed price of Continental bars as Rs. 137. What you have got from the dealers is almost exactly Rs. 137. You get nothing.

Mr. Sawday.—Owing to the heavy stocks dealers went on selling below cost price and it was only recently that they had stopped selling much below cost price, as stocks had gone down. We are now getting Rs. 136 to Rs. 137, but Rs. 133 for Calcutta and Rs. 122 Jamshedpur *plus* freight advantage up-country.

President.—It is the heavy stocks that have been responsible for the low prices?

Mr. Sawday.—The Banks have just finished releasing their stocks.

President.—At any rate, in the case of bars there is a margin for contingencies here which may counter-balance any drop in the Continental price.

Mr. Sawday.—There is a margin up-country and we have done a little towards using it.

President.—Taking the average price for the whole period of the sales to dealers, what you have been getting during the last 8 months is distinctly less than the cost during that time of imported Continental bars.

Mr. Sawday.—Yes.

President.—There is a factor here which would counteract any further decline in the price.

Mr. Sawday.—Yes, but dealers are now refusing to make contracts for Calcutta at the price that we accepted for the last two months.

President.—What do you attribute that to?

Mr. Sawday.—They expect the exchange to go still higher.

President.—It may be justified or not.

Mr. Sawday.—The Calcutta price is at present Rs. 123 for angles, Rs. 127 for tees and Rs. 133 for bars f.o.r. Calcutta.

President.—Are these the rates at which you can sell now?

Mr. Sawday.—Yes, but Mr. Anandji Haridas said he must come down.

President.—But assuming that the exchange which is quoted in to-day's papers as Rs. 102

Mr. Sawday.—Rs. 757 was the lowest French figure we saw.

Mr. Peterson.—There was a telegram stating that there was a rise.

President.—As regards plates, the Board's prophecy as to the prices you are likely to get has proved unduly optimistic.

Mr. Sawday.—Plates have been a peculiar trade since you last saw us. In October and November we despaired of getting orders. In January we started selling untested plates. We sold 465 tons in January, 637 tons in February and 305 tons in March but by March the engineering firms began to put in big orders with the result that we again stopped booking untested plates for Calcutta. We had orders for 1,455 tons from the engineering firms in March and 2,146 tons in April. Then we began to cry off supplying untested plates to Calcutta.

President.—The prices you have obtained for plates from the engineering firms is not very far below the price we took, but the average price has been pulled down a bit by the fact that you were selling untested plates to a large extent?

Mr. Sawday.—At present we have stopped selling untested plates in the hope that orders for plates of British standard will keep us full. We booked heavily in April.

President.—That is a special sale. Is that for wagons? In December what is that for?

Mr. Sawday.—East Indian Railway purchased for two or three small bridges.

President.—It is a very low price.

Mr. Sawday.—Rs. 135 was accepted. We could not get the order except at that figure. So we took it.

President.—What alternative had they? Would they have imported Continental plates?

Mr. Sawday.—Yes.

President.—Are you quite sure that it is for bridges?

Mr. Sawday.—Absolutely certain.

President.—It is a very poor price. Then in January?

Mr. Sawday.—Wagons.

President.—In February?

Mr. Sawday.—February will be a mixture of Rs. 132 and Rs. 150 again.

President.—March?

Mr. Sawday.—Port Commissioner's sales.

President.—In April?

Mr. Sawday.—That would be Port Commissioner's sales and some wagons.

President.—And May, would that be the same?

Mr. Sawday.—Yes.

President.—It is not clear why these sales to the Railways should be classed as special, unless you want to bring in the point that their orders are on the basis of the Continental price. My point is rather this. Rs. 132 is a good deal below the Continental price. I do not know whether the c.i.f. price during that period for Continental plates has gone down very much. However

that will be looked up afterwards. Dealers take untested plates only in small quantities?

Mr. Sawday.—Yes.

President.—For what purpose would they be useful?

Mr. Sawday.—For making tanks. They sometimes take thicker plates for bed plates of columns.

President.—Black sheets. In their original Report the Board anticipated that with the duty of Rs. 30 a ton the price you were likely to realise was Rs. 230, but you have actually realised Rs. 186. The difference, I take it, is accounted for by the fall in the sterling price and the rise in the exchange. To what extent has there been a fall in the sterling price? I am not referring to the last eight months but from the time of the Board's Report. Taking the exchange at 1s. 4d., Rs. 200 would mean a price of £13-6-8 c.i.f. How does that compare with the present price, according to the Iron and Coal Trades Review?

Mr. Sawday.—£11-16-0.

President.—What would be the freight on black sheet? Would it be the same as on other kinds of steel?

Mr. Sawday.—Yes.

President.—That would bring you to £13. When you are selling black sheet, is it British steel or Continental steel you are in competition with?

Mr. Sawday.—Entirely Continental. We accepted one order from Government and two or three small orders from Messrs. Balmer Lawrie and Company for tested sheets but that is all.

President.—Then it is at present untested. There is a good deal of black sheet coming from Continental countries and it is against that you are in competition?

Mr. Sawday.—Yes.

President.—I am afraid the price I took from the Iron and Coal Trades Review is not of much importance and the inference I drew then may be wrong. Are you selling principally to the dealers?

Mr. Sawday.—Very largely.

President.—Apparently, the highest price you had from the dealers was Rs. 180 in February 1925.

Mr. Sawday.—Yes. I am selling up-country as much as I can.

President.—When the sheet mills reach their full output your sales will be about 1,800 tons a month?

Mr. Sawday.—Yes.

President.—You have already worked up to that in March. I also see that you have had a big order from Government.

Mr. Sawday.—Yes, that is in competition with British.

President.—Is that the Posts and Telegraphs Department order?

Mr. Sawday.—Yes.

President.—Coming to galvanised sheets, are you in competition with British steel or Continental steel?

Mr. Sawday.—As regards galvanised sheets, we are in competition with British steel. It is untested.

President.—As far as one can judge from the Trade Returns, 90 per cent. of the sheets come from the United Kingdom.

Mr. Sawday.—There are some specifications for galvanised sheets. We don't attempt to manufacture to specification. We simply deal with ordinary bazar demands.

President.—It requires more experience in making these sheets. Of course, there is a big market but the people, who buy your sheets, are the dealers who would be buying mostly British sheets?

Mr. Sawday.—Yes.

President.—How does the price you have been getting compare with the cost of imported British galvanised sheet?

Mr. Sawday.—The galvanised sheet is selling at present in Calcutta at Rs. 280 to Rs. 285. We are getting Rs. 280 plus freight rate.

President.—You are getting very close to the British price.

Mr. Sawday.—Yes. The chief thing as regards imported galvanised sheet is that they are affected by sea air and tarnished. The dealer likes the freshness of our sheets. Apart from that, we should not get so near the British price. We are not up to the quality of British sheets yet.

President.—It is natural in the circumstances. In this case, I see almost all your sales are chiefly to dealers and you sell as much as you can to dealers.

Mr. Sawday.—Yes. We are refusing to sell in Calcutta.

President.—One would imagine that the total imports of galvanised sheets are so large and they are used so much for roofing houses all over the country, that there must be a big up-country demand. Do you think that you will be able to sell as much as 1,800 tons a month of galvanised sheet up-country?

Mr. Sawday.—There is no doubt about that.

President.—What do you think the freight advantage would be?

Mr. Sawday.—About Rs. 20. Of course, 10 per cent. of our production at present is Bombay sized sheets. We cannot help producing Bombay sized sheets to the extent of 10 per cent.

President.—Why have you to supply that market at all?

Mr. Sawday.—To roll your sheets, you have got to heat up your rolls and you cannot put in the 3 ft. wide sheet which is wanted in Calcutta for Northern India until you have put in 2' 6" sheet to heat up your rolls. 2' 6" sheets you have got to sell as black sheets for which there is very little demand or you have to turn into 8/3 ins. corrugated sheets for Bombay.

President.—Within the last six months, the price of British galvanised sheets has fallen heavily according to the Iron and Coal Trades Review.

Mr. Sawday.—Yes.

President.—Has that produced its full effect?

Mr. Sawday.—Yes.

President.—In June, for instance, did you get a lower price?

Mr. Sawday.—We started off by selling at a fixed price of Rs. 290 with freight advantage and then came the drop to Rs. 270. It has again gone up to Rs. 280.

President.—How long ago was it?

Mr. Sawday.—In March it was Rs. 270. We are now back at Rs. 280.

Dr. Matthai.—What was the price of galvanised sheets before the war?

President.—About £12 a ton. On the whole, the price of galvanised sheets, as compared with pre-war prices, is higher than for other classes of steel. There are two general points about these prices you have been realising. One is that I notice that the adjusted prices are the same as the booked prices.

Mr. Sawday.—After the last enquiry, on every order I put the adjusted price afterwards.

President.—I only asked that they might be in this form because I thought a difference would appear. If there is none, it would be as well to cut out the last two columns. That could be done without omitting any information?

Mr. Sawday.—Yes.

President.—Apart from the small point as to how we should print it, when did that factor cease to operate?

Mr. Sawday.—We still in practice follow the old system. We invoice out at a certain rate and adjust every quarter.

President.—That is with the engineering firms?

Mr. Sawday.—Yes.

President.—With them there will always be room for adjustment. As regards dealers, when did they come down to a level?

Mr. Sawday.—After I went back, I started this contract system.

President.—Since then, you have not been worried?

Mr. Sawday.—Everything is now on a contract system.

President.—Then the other thing is, when I asked for the statements I hoped that we should be able to begin the enquiry before the end of June. So, I did not ask for the June figures. All I want to do is to give you an opportunity to say whether the June figures would materially alter the inferences suggested by the figures which you have submitted. Is there anything in that connection which you want to say?

Mr. Sawday.—We have not got them out here. They are being collected now.

Mr. Peterson.—Shall we send them in the same form?

President.—I think so. The June figures may be in the form of an Appendix.* At any rate, you have nothing particular to tell me about the June prices.

Mr. Sawday.—Nothing except that the prices are tending to fall. The engineering firms' prices must fall.

President.—But they are buying very little British standard steel. The prices you are getting have no very definite relation with British standard prices.

Mr. Sawday.—They are buying, I suppose, half their material British standard.

President.—As much as that?

Dr. Matthai.—I suppose from June to September is supposed to be the slack season for steel.

President.—I think that that corresponds with my recollection of what we heard in Bombay from the merchants. It needs not necessarily affect the price very much in India. But as a matter of fact the output of the steel factory in India is also affected during that period. Have you found in previous years whether there is any seasonal variation in prices?

Mr. Sawday.—Last year we could not get any orders for any price.

President.—Last year there were three or four other much more important factors at work. Have you noticed before 1924 whether there has been any seasonal variation in prices?

Mr. Sawday.—No. Our production was so small compared to the needs of the country that it did not affect us.

President.—As you are now producing a much larger quantity of steel, it is not impossible that it might develop.

Mr. Sawday.—It must develop. It has already developed this year.

Dr. Matthai.—There won't be any increase in the corrugated sheets. Is that mostly due to the fall in prices?

Mr. Sawday.—The main market for corrugated sheets is East Bengal. They are a wealthy people and can absorb large quantities. We have nothing to do with that trade. Our trade is with the Punjab and the United Provinces.

* See Statement IV, Enclosure XIII.

President.—On the question you raised about the price of rails I do not know that I have any special questions to ask about that. The only evidence you can give us is the price you actually got. As to the question whether rails will be bought on the basis of Continental rails in future, we shall have to ask the Railway Board. Probably the matter is already under discussion. We do not know. One other commodity about the price of which I want to ask is circular plates.

Mr. Sawday.—We have stopped booking orders.

President.—I remember what you told me that there was no demand for large circular plates.

Mr. Sawday.—We had a demand and we over-estimated it. So did our customers. They are now hiring out the circles they bought.

President.—The price of light rails has moved at last. Last year it was the only thing that did not move.

Dr. Matthai.—About this question of stocks in the note which you sent us a fortnight ago, you make the statement that the up-country demand in rounds, as distinct from rods, and other bar mill material for the United Provinces and the Punjab is being monopolised by the Steel Company. Do you mean the Tata Iron and Steel Company?

Mr. Sawday.—Yes.

Dr. Matthai.—And then you say “stocks in Calcutta, including stocks of Steel Company, manufacture, probably amount to about 12,000 tons.” I want to know whether we had any evidence as to where stocks stood last year.

President.—Mr. Anandji Haridas gave us the figures about stocks last year, I think.

Dr. Matthai.—The figure you have given is for bars only?

Mr. Sawday.—Yes.

THE TATA IRON AND STEEL COMPANY, LIMITED.

Continued on the 7th July 1925.

Mr. Sawday.—Regarding the 800 tons special sales of bars, which you asked us about yesterday, 334 tons were for Messrs. Jessop and Company for the Port Commissioners' shed and 476 tons for the Indian Standard Wagon Company for wagon building; of the 282 tons in May, 58 tons are for the Port Commissioners' sheds, 102 tons for the Indian Standard Wagon Company and 122 tons for the Peninsular Locomotive Company. Regarding the date of exchange you asked us about, the date was 29th June—the French exchange quoted in the "Statesman" and the "Englishman," and the Belgian exchanges were got from a firm of Belgian importers.

President.—And the September one?

Mr. Sawday.—It was the average for the month.

President.—During the first six months of last year, one of your difficulties was that you could not sell your output and the stocks steadily accumulated. I gather from the figures you have sent in this time that this difficulty has now been practically overcome.

Mr. Sawday.—Yes.

President.—Last year during the first six months you held up your sales in the hope that conditions would improve. Recently, with effect at any rate from November, you have been meeting the market and selling your steel at what you can get, and, for that reason, the prices you have been realising for the last eight months are very much less than what the average was during our enquiry last year.

Mr. Peterson.—That is right.

President.—Can we regard the stocks of finished steel now held as normal?

Mr. Peterson.—They are low.

President.—Would that apply to all classes of steel?

Mr. Peterson.—All classes.

President.—There was one item which struck me as a good deal higher than most of the others. You have got a stock of 4,700 tons of heavy structurals and only 870 tons is "on order."

Mr. Sawday.—The reason is partly this that we rolled $10 \times 3\frac{1}{2}$ " channels for wagon work on which the specification is particularly strict and inspection is very rigorous, and what is rejected as not suitable for wagon building is kept aside for sale as ordinary structural material, and the demand for such channels is very limited, with the result that we have got an accumulation of stock.

President.—My point is rather this. Do you regard 4,700 tons as normal for heavy structurals?

Mr. Sawday.—It would be reasonable if it were spread over all the items we want.

President.—There are, however, two exceptions neither of them strictly falling under the head of finished steel. The first is second class rails. I take it you would not regard the stock of second class rails as abnormally low.

Mr. Peterson.—We have sold a great portion of that. We have to supply 6,000 tons of 60 lb. rails in the next six months and 1,200 tons of 75 lb. rails in the next four months.

President.—During the last eight months your stock of second class rails has gone up by 3,000 tons, although you must have sold about 12,000 tons, so that, if you go on producing second class rails at the same rate, 6,000 tons would just about absorb your production for the next six months.

Mr. Peterson.—We have now started rolling second class rails into light rails. We have just started that and we hope that will tend to check the accumulation.

President.—This question is important in a rather different connection. The other question is the stock of pig iron, and in that there has been practically no reduction, at least only a small reduction. However, I will deal with it later. As regards your production, one thing I am not quite sure about is that in Form I there are two items in which there is a possibility of ambiguity, namely, sheet bars and black sheet. Sheet bars are produced both for the Tinplate Company and for your own use. Do the figures you have given for the production of sheet bars include bars used for the production of black sheet?

Mr. Sawday.—No.

President.—Similarly, in the case of black sheet, have you included in the output black sheet which will subsequently be galvanised?

Mr. Peterson.—Column 11 includes column 12, because you will notice that the total finished steel (column 13) includes columns 2 and 4 to 11.

President.—Then we must not add galvanised sheet to the black sheet, as it is already included. I take it the wastage between black sheet and galvanised sheet is unimportant. On these figures the production of galvanised sheets is comparatively small and it does not make a difference of more than 200 to 300 tons at the outside. The point here is that your actual output of finished steel will be a little less than the total you have given. There must be a certain wastage.

Mr. Peterson.—We show the scrap at 2 per cent. in the costs sheet.

President.—What is the quantity of plain sheet used to make these galvanised sheet?

Mr. Sawday.—844 to 883 tons.

President.—Then it is negligible. We have not got the actual production of finished steel divided under the various classes for the last calendar year. I don't think we have got all the figures we wanted in our last enquiry, namely, the actual production of 1924-25 of finished steel divided under the various classes as in Form I. If you will make a note of that and send a statement to us it would be useful.

Mr. Peterson.—We will do that.*

President.—During the last six months for the year 1924-25, the highest output is 29,000 tons of finished steel in January?

Mr. Peterson.—Yes.

President.—And the average for six months is 24,600 tons?

Mr. Peterson.—Yes.

President.—Well, now the question comes to be what your probable output will be during the current year and next year. Supposing you got 320,000 tons in 1925-26, how would you expect that output to be divided between the first six months and the last six months?

Mr. Peterson.—During the hot weather we would expect a decrease of about 10 per cent.

President.—The way I was looking at it was this, that during the first six months of the current year it will probably be a little below the last six months of 1924-25.

Mr. Peterson.—Yes, probably.

President.—What I imagined was that it might be divided into 140,000 tons for the first six months and 180,000 tons for the last six months.

Mr. Peterson.—That would be about right. I can give you an estimate. I will send you a statement for each period of six months from the 1st April of this year.†

* See Statement IV, Enclosure II.

† *Ibid*, Enclosure III.

President.—The figures I have got here before me are for finished steel. That implies that you will be able to raise your output by about 5,000 tons—from 25,000 tons to 30,000 tons.

Mr. Peterson.—For some months of the year we will get up to that figure.

President.—One important question is whether in fact you are likely to get this output. I understand that during the last six months of 1924-25 the open hearth furnaces have been doing distinctly better than was expected two years ago, and are getting a higher output. On the other hand, the duplex furnaces have not yet given an output approaching the full output originally expected from them.

Mr. Peterson.—No, they have not come near that.

President.—The highest figure you have touched, I think, is 20,000 tons of ingots a month, whereas I gather with a full output it would be 30,000 tons a month.

Mr. Peterson.—Yes.

President.—The point arises where do you expect the increased yield to come from?

Mr. Peterson.—Chiefly from the duplex. We do expect ultimately about 29,000 tons from the duplex but it is doubtful whether we will reach it in two years.

President.—Of course, what may happen in the distant future one is content to wait and see. I notice, in the representation you sent in, you refer to the possibility of an increase in the output of steel ingots, if a third tilting furnace were installed in the duplex plant.

Mr. Peterson.—Yes. The foundation is there; all that is required to be done is the construction of the third furnace. The existing plant would be sufficient to work the third furnace. There would have to be certain additions in the shape of electrical equipment, a crane, etc., but the two Bessemer converters and the mixer would work the third furnace.

President.—Can you give us an estimate of the cost of the necessary works?

Mr. Peterson.—I can give a rough estimate of the cost of the furnace with all the additions required. That would be between 40 and 50 lakhs.

President.—Is the whole sum directly connected with the tilting furnace?

Mr. Peterson.—The entire expenditure has not to be incurred immediately. A good deal of that is expenditure on more soaking pits and a heating furnace for the increased steel in the blooming mill. The furnace itself with its additional equipment would probably cost about 20 to 25 lakhs of rupees, and practically the whole thing can be built in India except the two big rockers on which the furnace tilts. They would probably have to be imported. Nothing else will have to be imported.

Dr. Matthai.—After you have decided to instal it, how long would it take to complete?

Mr. Peterson.—It will take 12 months before we can expect to get any production.

President.—I think the matter is of considerable importance both to the Steel industry and to the tax-payer and the consumer of steel, because as long as you do not succeed in attaining to the full output anticipated in your original estimate, the steel furnaces are, so to speak, the neck of the bottle: you have a surplus output of pig iron at the one end and surplus rolling capacity at the other end, but you are not getting the full benefit out of the plant.

Mr. Peterson.—That is right.

President.—I worked out the figures as regards the overhead and manufacturer's profit, and, as far as I can make out, assuming that the third tilting furnace was only producing 10,000 tons, then taking 70 per cent. of the ingot production as finished steel, that gives you 80,000 tons extra. The

difference this makes is something like lis. 14 a ton in the incidence on overhead charges and manufacturer's profit on the finished steel.

Mr. Peterson.—That is correct.

President.—When the question comes up next year what is to be done after the expiry of the Steel Industry (Protection) Act, this will be rather an important point, because the amount of protection to be given must be calculated on the amount of duty required by a reasonably balanced plant.

Mr. Peterson.—There are so many points to be considered. The third furnace would require additional pig iron and that would require additional coke, these are questions which will have to be gone into.

President.—Exactly; but that is a matter for your Board to consider. I do not want to go into the question of all that is required.

Mr. Peterson.—The capital expenditure required may be greater than we have estimated. It may entail further expenditure in other directions.

President.—The point I think it is desirable for the Board to emphasize is the extreme importance of increasing the ingot production, for it affects the Company as much as it affects the general tax-payer, because the plant in its present condition is not, so to speak, quite normal. It is not getting the output which a plant of this size ought to get. There is another point which I have already mentioned that it will make a considerable difference to the incidence of overhead charges and the manufacturer's profit. Besides that it will make a considerable difference to the works costs.

Mr. Peterson.—It certainly would.

President.—That was impressed upon me by an examination of the cost sheets because I observed, that in all the Departments the month of highest output was usually the month of lowest costs.

Mr. Peterson.—Yes.

President.—Therefore, the inference seems to be irresistible that with more steel you could bring down your average works cost of production.

Mr. Peterson.—Of course, a good deal of the reduction is due to the drop in the price of coal. That affected us considerably.

President.—That I do not doubt. I am only comparing the figures for the months of January to May in the cost sheets that you kindly allowed me to see. It is by no means the case that the May figures are always the lowest—very far from it.

Mr. Peterson.—The lowest figures will be the January figures.

President.—There was some reduction in the price of coal during these months. But what one notices is the smaller output of the old plant during April and May and is at once reflected in a big increase in cost.

Mr. Peterson.—There is no doubt that, to get the best cost out of these modern mills, they should be run to as near full production as possible.

President.—Quite, as one knows they are extremely expensive machinery to purchase.

Mr. Peterson.—Yes.

President.—I take it that the Management of the Company fully appreciate the importance of this, and that they are certainly prepared to consider the question very carefully.

Mr. Peterson.—We have been considering it. For the past three or four months we have been taking advice and getting estimates worked out. One of our difficulties is that the Company has just finished a period of five years' extension during which the whole plant has been more or less disorganised by construction and the Directors and the staff rather feel that there must be a breathing space before they go any further.

President.—I sympathise with that. I saw the works when the construction was going on.

Mr. Peterson.—There is a feeling that we should not go ahead immediately and we should have a slight interval.

Dr. Matthai.—This is a suggestion in order to make the extensions really effective. It is not really a separate thing.

Mr. Peterson.—It was not contemplated in the original design. They left a space for that when we wished to increase it. The Consulting Engineers said that there should be no difficulty in obtaining 30,000 tons from the tilting furnaces.

President.—Supposing you eventually get 15,000 tons of steel ingot from each furnace, you will be getting 45,000 tons a month. Do you think you would have still enough pig iron?

Mr. Peterson.—Yes, I think, we would have enough pig iron.

President.—Probably not much, but just about enough?

Mr. Peterson.—Yes.

President.—You would also have a surplus rolling capacity?

Mr. Peterson.—Yes, in certain mills but not in others.

President.—Naturally. The results of the last eight months in most respects, as far as I can judge from the cost sheets, have been satisfactory.

Mr. Peterson.—Yes.

President.—There are only two obvious weak points. One is the shortage in the output of steel, and this, we hope, will gradually improve and which can, in any case, be dealt with by the erection of a third furnace.

Mr. Peterson.—Yes.

President.—The other point is the very large percentage of second class rails in the rail output which puts up the cost.

Mr. Peterson.—With Indian inspection, we expect a higher percentage of rejection than in most countries.

President.—You expect a higher percentage?

Mr. Peterson.—We expect 10 per cent. of rejections. Up till the time we made the change by which we took the steel to the new blooming mill from the open hearth, they were about 12½ per cent. Since that time they have been 14 per cent., owing to the difficulties we had in making the change.

President.—From the figures I have got here, it was 11,700 tons out of 90,000 tons.

Mr. Peterson.—Is that up to date?

President.—Yes. I am simply adding your second class rails to your heavy rails and seeing what the percentage of second class rails is to your total. For the full period it is 15,000 tons out of 110,000 tons.

Mr. Peterson.—That is very much the average I have given.

President.—Up to some date in March, I understand you were making rail steel in the duplex furnaces.

Mr. Peterson.—Yes.

President.—Have the difficulties that you found to start with last year been completely overcome?

Mr. Peterson.—As far as the duplex rail steel is concerned, there was no trouble. We have completely solved it. But we didn't get the output.

President.—That is precisely the point.

Mr. Peterson.—We cannot get the same output on rail steel from the duplex furnace.

President.—I take it that your object in making the change in March last was to increase your total steel production.

Mr. Peterson.—That was the idea.

President.—By making rail steel in the open hearth, and the mild steel in the duplex?

Mr. Peterson.—That was the object.

President.—What about the result of the change? I gather from the figures it has not been entirely satisfactory so far.

Mr. Peterson.—There has been a good deal of difficulty in connection with getting the rail steel hot from the open hearth furnaces to the new blooming mill and rejections have increased. Production, I think, has slightly increased, but not so much as we expected.

President.—When I say unsatisfactory, I mean not quite satisfactory in this particular respect, i.e., the percentage of rejections. I do not intend to suggest that you have not succeeded in increasing your steel output. That was not my suggestion.

Mr. Peterson.—The rejections are a difficulty. They have been due to the fact that the steel has further to go to the new blooming mill and it goes colder. In a month or so we hope to solve the difficulty.

President.—I ask this question because clearly the second class rails present something of a problem.

Mr. Peterson.—We have been investigating this. There are special ways by which we can get over this difficulty. I can mention three ways by which we can solve the problem of accumulation. I cannot say that anything definite will come of any of them, but they are all possibilities. We are ourselves now endeavouring to roll 90 lbs. rails into lighter rails. They will then become first class rails as lighter rails do not require such a high standard as heavy rails.

President.—It is an ambiguous term.

Mr. Sawday.—Anything below 50 lbs. is called a light rail.

President.—You see the term "light rail" has got a definite significance. These are not made for railways, but for trolley lines and things of that sort.

Mr. Peterson.—A certain amount is taken by the railways.

President.—They only take it because they have got their construction works. They have got trolley lines for that.

Mr. Peterson.—They actually use them as rails.

President.—I remember putting a question on this and the answer I had was that the light rails made in the bar mills are not used by railways as rails for anything but narrow gauge.

Mr. Sawday.—Martins use 30 lbs. rails.

President.—But they are not at all interested in anything but narrow gauge, are they?

Mr. Peterson.—The point is there are also specifications for other than heavy rails. The steel which won't pass 90 lbs. specification will pass 35 lbs. specification.

President.—I understand anyhow what is meant by light rails.

Mr. Peterson.—Another way, and possibly a very satisfactory one, will be to roll this steel into trip or hoops. That we understand is being done in England. We are investigating the possibility of doing this in that way. We are not sure the steel is of the right specification. Another way would be to use the rails in making stanchions and columns and that might be possible. It would require a good deal of work in the matter of design. We are getting out designs for the general public, so that they could buy the rails and fit them together. We might also fabricate and fit them together. These are the three methods which we have in mind at present.

President.—I take it the reason you are doing so is that ever, if you keep your second class rail production within the limit of 10 per cent., you may still have 15,000 tons a year to dispose of.

Mr. Peterson.—We should have an impossible accumulation in ten or fifteen years time, unless we get rid of them.

President.—Then about pig iron, I do not know whether you have been able to get the figures for us. The first thing I wanted to know was what was your total production of pig iron for 1924-25.

Mr. Peterson.—552,000 tons.

President.—I think in our previous Report we have got the figures for the first period of six months, but we have not got figures for the second period of six months from 1st October to 31st March. I should like to know first the quantity of pig iron consumed in the steel furnaces.

Mr. Peterson.—We can send the statement in later.*

President.—As I explained yesterday I am really asking for facts in anticipation.

Mr. Peterson.—I can give it to you roughly.

President.—Let me have it in round figures.

Mr. Peterson.—About 160,000 tons for the first six months.

President.—We went into that in our original enquiry. The wastage is about 10 per cent. between pig iron and finished steel.

Mr. Peterson.—That is about right. For the 12 months it would be 335,000 tons of pig iron used in the production of steel.

President.—We have only got 248,000 tons of steel. If you add the second class rails, it would be another 20 to 30 thousand tons.

Mr. Peterson.—During the first six months, the amount of pig iron used has been heavy. The open hearth furnace has been using more pig iron, because there was less scrap available.

President.—What prices were you realising for the pig iron sold during 1924-25?

Mr. Peterson.—As regards the consumption of pig iron for the second period of six months, I have worked out the figures here. It is about 185,102 tons.

Mr. Sawday.—The price has fallen during last year. The Indian price was Rs. 60.

President.—Which kind do you sell most in India?

Mr. Sawday.—No. 4 and No. 3. Abroad No. 1 and No. 2.

President.—Also No. 3?

Mr. Sawday.—Yes, with Nos. 2 and 1. Last year the price for No. 4 was Rs. 60 f.o.r., Calcutta.

President.—What date have you been giving the prices for?

Mr. Sawday.—Up to December last year. The prices f.o.r. Tatanagar were:—

No. 4	Rs. 57
No. 3	Rs. 66
No. 2	Rs. 69
No. 1	Rs. 73

President.—What would have to be deducted on account of freight from Jamshedpur to Calcutta?

Mr. Sawday.—These are f.o.r. works prices.

President.—For sale in India?

Mr. Sawday.—Yes. The present day prices, which have ruled for approximately two months, are:—

No 4	Rs. 41-0-0
No. 3	Rs. 41-8-0
No. 2	Rs. 42-0-0
No. 1	Rs. 43-0-0

President.—There is very little difference between the prices of the different kinds.

Mr. Sawday.—Yes. For January and February, prices were Rs. 3 more than the present day prices given above.

* See Statement IV, Enclosure IV.

President.—Therefore, the prices you are getting for your pig iron is Rs. 42. Would it be Rs. 41 to Rs. 42 in the average?

Mr. Sawday.—Yes.

President.—As regards exports, I think you have various contracts. Can you give me the average price?

Mr. Peterson.—At present it would be about Rs. 39 f.o.b. Calcutta.

President.—What would be the works price?

Mr. Peterson.—Rs. 35.

President.—So there has been a reduction?

Mr. Peterson.—Yes.

President.—I gather that the position about pig iron at present is that, even with four furnaces, you have got a larger surplus of pig iron than you can conveniently dispose of.

Mr. Peterson.—We can sell it easily. The prices are remunerative.

President.—I was thinking of it from this point of view. Assuming that you get Rs. 180 or Rs. 170 a ton for your steel, it would be more profitable to make it into steel.

Mr. Peterson.—Undoubtedly.

President.—In that sense you have got too much pig iron from your own point of view. The way I am looking at it is this. On the 1st October, you had 134,000 tons in stock. On the 1st of June, you were down to the extent of about 10,000 tons, owing to the lower steel production. In the coming months you will probably be back where you were in September last year. So that you have a large stock of pig iron on hand. All you can do is to sell your annual output, but you can't clear your stocks.

Mr. Peterson.—That is the difficulty.

President.—That of course is of some importance to the Company, because it increases the amount which you require for working capital.

Mr. Peterson.—Yes.

President.—What would you regard as a normal stock of pig iron.

Mr. Peterson.—About 50,000 tons. We must hold a certain amount as reserve in case of any breakdown in the blast furnace or anything of that kind. We must also hold some reserve for sale to meet our contracts.

Dr. Matthai.—This 50,000 includes both?

Mr. Peterson.—Yes.

President.—Can you give me the quantity of pig iron sold in India for 1924-25?

Mr. Peterson.—I can get it for you.*

President.—What is the quantity exported for 1924-25?

Mr. Peterson.—53,000 tons to America. There is also export to Japan.

President.—It is the total export I want.

Mr. Peterson.—133,000 tons exported altogether. I have here a statement giving the exports of the last five years, if you would like to see it.

President.—You might read out the figures.

Mr. Peterson.—

	Tons.
1920-21	39,950
1921-22	50,790
1922-23	78,300
1923-24	82,380
1924-25	133,240

* See Statement IV, Enclosure V.

President.—Though these figures that I have been asking for have got into the oral evidence, if you could send in a separate statement giving me the following information, it would be exceedingly useful. In the first place, I want the quantity of pig iron sold in India and the quantity exported.*

Mr. Peterson.—Do you want that for one year?

President.—The important one is last year (1924-25). Also give us the average prices realised for pig iron as Mr. Sawday gave—up to the end of December 1924 and now in India.*

Mr. Peterson.—And for export?

President.—As regards export, the average price for 1924-25 and at present will be most useful.† Also the total consumption of pig iron in the steel furnaces for last year.‡

Mr. Peterson.—Split into two periods?

President.—Yes. I have one more thing to ask and that is this. I notice in the report of the Company and the proceedings of the general meeting that the allocation to depreciation was Rs. 61 lakhs and that the arrears of dividend on the first preference shares for one year were paid which amounted to something like Rs. 4½ lakhs. I notice also that your Chairman in his speech referred to the fact that the Tariff Board had estimated that the necessary allocation to depreciation was about Rs. 93 lakhs. I take it that the payment of a small dividend, after Rs. 61 lakhs had been allocated to depreciation, does not imply that the Tariff Board were unduly lavish in their recommendation.

Mr. Peterson.—No.

President.—But that the reason for declaring a dividend, your Chairman said in substance, was an earnest of what they hoped might be expected in the future, when the Company was doing better.

Mr. Peterson.—Last year we paid no dividend at all. This is the first dividend that has been paid for two years.

President.—The point is of some importance because it is quite clear that, in view of the whole history of the Company, it cannot afford to give what it has given nominally called as profits. Last year using 'profit' in the sense in which the Tariff Board used the word in their original Report, there was no profit but a loss of Rs. 25 lakhs.

Mr. Peterson.—Yes.

Dr. Matthai.—I mean to ask you a very general question about the reduction in cost. As the President pointed out, our business in this enquiry is really prices and not costs. I want to have a general kind of assurance that the Company is fulfilling its part of the arrangement with the tax-payer, that is to say, doing all that it lies in its power to reduce costs.

Mr. Peterson.—The costs are going down very fairly in accordance with our estimates. In some cases, they have gone down lower than our estimates.

Dr. Matthai.—I should like to have some kind of general statement about the question of the substitution of Indian skilled labour in the works.

Mr. Peterson.—I think that that is much better dealt with by a statement. We have a statement ready which I can put in showing how that has progressed since the original enquiry.

President.—Have you got it here with you?

Mr. Peterson.—I don't think I have it here.§

Dr. Matthai.—Can you tell me approximately—this is the first year that men from the Technical Institute have passed out—how many men have passed out?

Mr. Peterson.—About 15 or 16.

* See Statement IV, Enclosure V.

† *Ibid.*

‡ *Ibid.*, Enclosure IV.

§ *Ibid.*, Enclosures VI and VII.

Dr. Matthai.—What happens to them? Do they all go into the works?

Mr. Peterson.—They do. There are a certain number in the duplex, a certain number in the open hearth, and a certain number in the blast furnaces.

Dr. Matthai.—Do they displace European labour or are they in addition to European labour? Does the introduction of each batch of trained Indians from your Technical Institute necessarily mean a reduction of European labour?

Mr. Peterson.—Some such men would have to be used. It would mean that a fresh appointment is not made. As the new plant comes into operation and as the work on it increases, more men will have to be employed and if these Indians are not available we should have to employ other men.

Dr. Matthai.—Your request in this application is for the extension of the bounty to the end of the period covered by the Act. So, are you likely, in the statement that you referred to, to give us figures up to the end of that period showing what you expect to do in the coming eighteen months in that direction? I don't want it in any great detail.

Mr. Peterson.—That would be difficult, but we can work out a statement of that sort.

President.—Showing the progress of Indianisation, is that it?

Dr. Matthai.—Yes.

Mr. Peterson.—I don't know whether it will be wise to do so. We might raise hopes which might not be realised.

Dr. Matthai.—But, without committing yourself to any kind of detailed statement, you can give a statement which would be some assurance to the tax-payer that things were progressing in the right direction. We are now on the question of bounty, aren't we, and I have a sort of idea that the responsibility of the Company to the tax-payer is very much greater in the case of a bounty than if there had been only duties. It is certainly a serious thing for the tax-payer to provide money for helping the Company in order to enable it to overcome its difficulties. My own impression is that there is no question in which the tax-payer is more keen than the scope for employment of Indians.

Mr. Peterson.—For instance, there is the original statement given in Volume II of the Evidence, to which we have added the figure for next year. We have brought the statement up to date. We can put in a statement like that.

Dr. Matthai.—I think it would help me.

Mr. Peterson.—I think it would be better to give it department by department.

Dr. Matthai.—It would be interesting if you could.* There is just one other point I want to ask you about and that is about the statement that you make in your letter. You say that it is very desirable, in the interests of the industry and of importers and consumers, that the present enquiry and recommendations arising from it should cover the entire period. I want to say I agree with that and I have great sympathy with that position, but my sympathy is very largely from the point of view of the Tariff Board. I don't quite take in your argument here. We are to some extent bound by the decision of the Government of India to give additional protection in the form of bounties and in the main additional protection till the end of the period would be given in the form of bounties. If that is accepted, then what does it matter, as far as importers and consumers are concerned, whether there is a fresh enquiry or not?

Mr. Peterson.—I think I can explain that. A bounty enables us to sell at a lower price, and they wish to know at what price we will be able to sell before they decide to import or not. Whenever an enquiry is held into this matter, always a lull takes place. The dealers want to see the results of the enquiry.

President.—It makes business more difficult.

* See Statement IV, Enclosures VI to XII.

Mr. Peterson.—All that they know is that an enquiry is being held but they do not know what the result will be. It might be an increase in duty. It might be anything and naturally they are nervous about committing themselves, until they hear what the result is.

President.—When you consider it important that the recommendations, whatever they are, should cover the whole period up to the expiry of the Steel Industry (Protection) Act, you have in mind not only the interests of the Company but also the general stability of the trade?

Mr. Peterson.—Yes.

President.—I have only two more points to make. One is about the cost of coal. The cost of coal has been steadily coming down since January, but even in the latest coke statement you are not still down to the 1921-22 level, which you took in your estimate. In the estimate of coal you took the cost of coal as Rs. 8 a ton. In May it was Rs. 8-8-0, and, therefore, I take it that you have not quite got down to the bottom of the coal prices yet.

Mr. Peterson.—There might be a still further reduction. The price of gas coal will probably go down and the price of coking coal will go down further.

President.—You are still getting your coal partly from your own collieries and partly under contracts which are regulated by the price paid by the Railway Department?

Mr. Peterson.—Yes.

President.—I understand that the effect of the arrangement made by the Railway Department last year was they got a reduction in the price a year sooner than they would otherwise have got it, but they continue the same price for this year. My impression was that the market price of coal had fallen distinctly below the figure taken by the Government of India.

Mr. Peterson.—Yes, but we are bound by the arrangement.

President.—Then, we have got to consider what the Railway Department is going to pay next year.

Mr. Peterson.—Do you mean in the future?

President.—Yes.

Mr. Peterson.—We think that the cost of coal will go down considerably. But I am bound to say that most of the coal companies think that the price will go up.

President.—Possibly they think that they will be unable to produce coal unless the price goes up. Another point appears from the cost sheets that one of the new blast furnaces is not doing so well as the other.

Mr. Peterson.—There was a break out on that furnace.

President.—What does it mean?

Mr. Peterson.—The lining broke through. It was down for about a week or longer than that. The furnace 's getting into shape again after the break out.

President.—That is purely temporary?

Mr. Peterson.—Yes. And quite usual.

President.—How does the capacity of Battelle furnace compare to the older ones?

Mr. Peterson.—Slightly larger but not much. We are altering it in order to get higher production.

THE TATA IRON AND STEEL COMPANY, LTD.

Continued on the 18th July 1925.

President.—I should like to begin first with the letter* you sent in which we received yesterday. I think that it would be most convenient to begin with the statement of prices which was annexed to that letter. There are only three or four items in that which I should like to ask you about. In the first place the average price for June for heavy structurals was about Rs. 5 higher than the average for the last eight months. That appears to be almost entirely due to the price paid by the engineering firms. Is there any special reason for that?

Mr. Sawday.—No, it is really fortuitous. We had one order from an engineering firm, which we did not want to roll. Otherwise, the price for heavy structurals is fairly constant—

About Rs. 142 f.o.r. Tatanagar for engineering firms.

About Rs. 150 f.o.r. Tatanagar for dealers.

President.—There is no special significance to be attached to it, is there?

Mr. Sawday.—No, it is only fortuitous.

President.—In the case of light structurals, the difference is exactly the other way. The average price for June is Rs. 8 less than the average price for the last eight months.

Mr. Sawday.—That again depends on where the orders come from. For angles the price varies from Rs. 120 to Rs. 155 f.o.r. Tatanagar, according to the destination.

President.—There again no special significance is to be attached to the price?

Mr. Sawday.—No.

President.—Then in the case of bars, there is a heavy drop of about Rs. 8. The drop in the price is entirely due to the sale to the dealers which was 3,000 tons. Is there anything special there?

Mr. Sawday.—There has been no change in the contract price. It depends entirely on the destination.

President.—Similarly in the case of plates, the average price in June is decidedly lower and the quantity sold is also decidedly smaller. The average price for June is Rs. 141 as against Rs. 148 for the last eight months.

Mr. Sawday.—The price to dealers was pulled down by the fact that we were getting rid of circular plates.

President.—It is due to the circular plates for which there is not much demand?

Mr. Sawday.—Yes.

President.—In the case of galvanised sheets, there is no change but in the case of black sheets there is a drop of about Rs. 11 a ton.

Mr. Sawday.—It is due to the seasonal variation in the demand. We have reduced the prices as a temporary measure.

President.—Do you expect the price to go up again?

Mr. Sawday.—Yes, in September.

President.—There is nothing in these prices which would involve a re-consideration of the evidence you have already given to us as to the prices likely to be obtained in the future?

Mr. Sawday.—Nothing.

President.—That covers the ground, as far as the statement is concerned. Then, in the letter itself, you have told us that you have been informed by

* See Statement IV.

the Bengal Nagpur Railway that they are not taking any heavy 90 lb. rails this year.

Mr. Peterson.—Yes.

President.—That, of course, affects your claim. It means that, in taking into account the lower price you will get for your rails outside the contract, this 14,000 tons goes out, except that you think that in all probability they will actually take some rails.

Mr. Peterson.—It is probable that they will take some before the end of the year.

President.—Is it based on your previous experience?

Mr. Peterson.—Their letter is not very definite. They say that, as far as they can see at present, they don't want any.

Mr. Sawday.—They will probably make up their mind in November.

President.—Were there any orders placed last November for supply this year?

Mr. Peterson.—We are finishing an order just now. There is still a balance of about 3 to 4 thousand tons to be delivered.

President.—You have told us that about 14,000 tons was the average quantity the Bengal Nagpur Railway was taking from you.

Mr. Peterson.—That is the average for the past three years.

President.—Can you give us the maximum and the minimum amount they took from you?

Mr. Peterson.—They were taking about the same, 14,000 tons.

President.—There has not been much change.

Mr. Peterson.—The maximum is 15,000 tons. They were getting at a very cheap price from us. They usually take very nearly the maximum. These are the actual figures:—

	Tons.
1920-21	11,000
1921-22	14,200
1922-23	8,000
1923-24	19,000 (including arrears)

President.—That is quite sufficient for our purpose. Then, there is the question whether some of the Palmer Railway Companies may not give you the same kind of intimation this year.

Mr. Peterson.—It is quite possible.

President.—The importance of that is this. When we last discussed the question I suggested that the simpler plan might be to deal with rails, if they were to be taken into account at all, by the method of making the additional bounty higher than would otherwise be necessary, but if there is any doubt as to the quantity of rails that you will be selling outside the contract, then it may be a question whether the method you yourself originally suggested is not better, or at any rate some slight modification of that would be necessary.

Mr. Peterson.—We are basing our estimate on what the Railway Board have given us, which is higher than the quantity actually taken this year. If that estimate is worked up to, the probability is that the Palmer Railways will take more next year instead of less. The Railway Board have given us an estimate that the whole of their requirements is 120,000 tons. I think that the supply for this year will be about 110,000 tons.

Mr. Sawday.—The North Western Railway have suddenly come in with an order for 8,000 tons.

Mr. Peterson.—If the Railway Board's estimate is correct, the Palmer Railways will probably want more than what they would normally take.

President.—The alternative method would be that the bounty of Rs. 32 per ton would be paid on despatches to consumers other than the Railway Board. We cannot tell you how it is going to work out. It might work out the other way. It is quite uncertain which would be more advantageous to the Company and which would be more advantageous to the taxpayer. I should like to know what you think about that.

Mr. Peterson.—I think that the simplest arrangement would be an addition to the ingot steel bounty, but I think that the result would probably be very much the same, whichever is done.

President.—For next year it would have to be calculated on the basis that 49,000 tons would be supplied outside the contracts.

Mr. Peterson.—Yes.

President.—On the one hand, it might turn out to be only 25,000 tons and, on the other hand, it might go up to 60 to 70,000 tons. Is there any chance of such a wide variation?

Mr. Peterson.—I don't think so. As I said, we have already got that confirmed by the Financial Commissioner for the Railways who must be making the estimate for finance. He must be looking ahead and must be expecting to spend that amount of money on rails.

President.—Does that affect the Company-managed railways?

Mr. Peterson.—I think that their budget would have to be sanctioned.

President.—Still one knows that the programme that is drawn up for one year is not always worked up to in the next year. I gather that your view is that the rails supplied outside the contracts in 1926-27 will be about 49,000 tons, and that you don't think it likely that the actuals will be far away from that.

Mr. Peterson.—I don't think so because there is not much new construction.

President.—There is a statement here showing the pig iron consumption in the works.

Mr. Peterson.—That includes the foundry consumption of 1,310 tons a month.

President.—I wanted to be sure about that because it was not quite clear, so that, if we deduct the figure you have given for the total consumption in the works from the total output, we shall know the surplus available for sale.

Mr. Peterson.—Yes.

President.—The next thing I should like to come to is this. One of the questions, which we have had to investigate in taking the evidence, is the question what is the best way to ascertain the bounty actually required in order that the Steel industry may receive the protection which it was intended that it should receive according to the Steel Industry (Protection) Act. The prices which it was estimated in our original Report would give the manufacturer a fair return were Rs. 175 for structurals and Rs. 180 for other sections and for rails Rs. 181 this year and Rs. 175 next year. The method by which I attempted to arrive at the amount was to take the estimated production for 1926-27 and for the last six months of 1925-26 and in the case of different types of steel to take the average price which you anticipate you will be able to obtain and multiply the quantities by the difference between the average price and the standard price. The amount that you then arrive at is the amount of the bounty required when it has been totalled for the various kinds of steel. Do you agree that this is a method by which the figure we want can best be arrived at?

Mr. Peterson.—You take the difference between the works costs?

President.—I am not taking account of that at present.

Mr. Peterson.—The difference between the price we may expect and the price originally contemplated in the first Report, is that it?

President.—Yes.

Mr. Peterson.—Yes, that will give you the total figure required.

President.—That would really state what your claim is, assuming, of course, that the statement is correctly prepared.

Mr. Peterson.—Yes.

President.—What I propose to do in that case is to send you a copy of the statement that has been drawn up in this office, and ask you to have it verified in your office, because the chief importance of the statement is to make quite clear exactly what you are asking for. In drawing up this statement I made the provisional assumption that the production of the current year would be 45 per cent. in the first six months and 55 per cent. in the second six months. I notice in your estimate of ingot production you anticipate that it would be 47½ per cent. and 52½ per cent. I think it will be better in the final calculations to adhere to the proportion which you yourselves have given.

Mr. Peterson.—There is really very little difference.

President.—In the calculation it has been so arranged that it can be ascertained what the bounty required is. Supposing no account is taken of the lower price of rails sold otherwise than under contract, also what the bounty required would be if the rails are taken into account, the nett result of the calculation as it stands at present is—it is still subject to correction—about Rs. 18 per ton without rails and Rs. 21½ per ton with rails.

Mr. Peterson.—Yes.

President.—Then apart from this calculation, there is the other one which I have also been looking into, namely, to ascertain as nearly as possible—supposing the Government of India and the Legislature grant the bounties on the scale in which you are asking with the result that you would actually secure these prices of Rs. 180 and Rs. 175 a ton,—what the position of the Company would be, having regard to their cost of production. There again the calculation has been worked out on this basis—in the first place, to ascertain the cost of production (that is the works costs) for each kind of steel and the standard prices and again multiply the difference by the quantity you expect to produce. Do you agree that would be correct?

Mr. Peterson.—Yes. That is really checking the original estimate made in the first Report.

President.—The point of it is rather this. Supposing effect is given to your proposal, it is possible that you may receive substantially more protection than was originally contemplated.

Mr. Peterson.—What you want to ascertain really is whether we have actually succeeded in bringing down our costs below the original estimate, is that it?

President.—You see all this is being done at the expense of the taxpayer and the assistance given should not exceed what was originally contemplated. With the details of the figures I don't want to worry you just now because there are a great many of them, but there are just one or two points in the calculation where I had to make certain assumptions. I assumed that the heavy structurals would be made entirely in the old mill and the rails entirely in the new mill.

Mr. Sawday.—As regards heavy structurals that is correct, but as regards rails we may possibly roll a certain amount of rails on the old side.

President.—Would it amount to more than 10 per cent.?

Mr. Sawday.—Probably not as much.

President.—Do you think in a calculation of this kind it is necessary to take that into account?

Mr. Peterson.—I don't think it is worth taking into account.

President.—Similarly, in the case of light structurals and bars, I assumed that the light structurals would be made in the old mill and the bars in the new mill.

Mr. Peterson.—That is probably correct.

President.—There might be some light structurals made in the new mill and some bars in the old mill but they would nearly balance.

Mr. Sawday.—It would approximately balance out.

President.—It is really the final figure which is of importance.

Mr. Peterson.—It will come to very much the same thing.

President.—The cost of production figure, that I took, was the average of the last five months that you have given to the Board.

Mr. Peterson.—I think that would be a fair figure to take for this year.

President.—I take it you hope that your cost figures next cold weather will be below what they were this cold weather?

Mr. Peterson.—We expect it will come down.

President.—On the other hand, what about the hot weather months of this year?

Mr. Peterson.—They will go up a little, specially on rails, but generally speaking for the year it would be fair to take the first five months of this year as an average. Next year the costs will be lower right through. Of course, it largely depends on the future price of coal. We don't know what the price of coal will be next year.

President.—My provisional calculation was worked out on the basis that the average cost of production next year would be Rs. 5 less than what it is this year.

Mr. Peterson.—I think that would be a fair average.

President.—I have not yet made the calculation but it would be possible to work it this way—to ascertain the reduction in cost which would be necessary before you earned a sufficient sum on the steel to cover the overhead charges and also to yield a fair return to the manufacturer.

Mr. Peterson.—Yes.

President.—What I propose to do is to send you this calculation also in order that you may have an opportunity of seeing it and of making any correction, or if you prefer it, submitting an alternative statement.

Mr. Peterson.—I don't imagine there will be very many corrections to make because we have made practically the same calculations ourselves. They will be very nearly identical.

President.—You must be prepared to find that there are some errors in the arithmetic. The final result that comes out of the calculation as it stands at present is that during the current year the surplus over works cost per ton of steel would be about Rs. 48, and next year nearly Rs. 55, as against the figure of Rs. 57 a ton which is what the Board estimated in their original Report. It was estimated that on a production of 420,000 tons about Rs. 57 a ton would be required to meet the overhead charges on steel and the manufacturer's profit. Obviously, if the output is only 320,000 tons, as you expect this year, and 357,000 tons as you expect next year, the figure of Rs. 57 would not in fact yield a full return on the capital after meeting the overhead. As I said, these calculations will be sent to you for verification and where you think these wrong to suggest alternative figures.

Mr. Peterson.—Yes.

President.—I want to go on now to another matter altogether, namely, the evidence we have already received from the Bengal Iron Company, both from their original representation, the oral evidence that was taken and also a letter which we received from that Company yesterday.

Mr. Peterson.—If the Board will allow me I would like to make a statement. I have got that statement with me which I will read:—

“If the Board will allow me I should like to state our policy with regard to sales of pig iron. With the completion of the Indian Iron and Steel Company's plant the production of pig iron in India far exceeds the demand. That Company alone is producing 180,000 tons of pig iron annually and has a still larger capacity.

The total demand of India is very little in excess of 100,000 tons. Therefore, the pig iron producers must export, if they are to sell their output.

We ourselves have never intentionally sold below the market price in any country. In America we have consigned our iron to agents who obtain the best market price for us. Our present arrangement with Japan is that prices are fixed every six months with reference to the market price of similar iron imported from any country into Japan. We understand that the attention of the Board has been drawn to a sale made by us to Japan at the rate of Rs. 39 f.o.b. Calcutta. That sale was for 3,000 tons a month but it was a condition of that sale that our Japanese buyers should take under an old contract 2,000 tons a month at Rs. 75. Our average price for these supplies was, therefore, about Rs. 54 per ton. It is, however, obvious that over a long period India cannot get a higher price than the world market price for export because its production is so small.

So far as India is concerned for the past eighteen months the Bengal Iron Company, the India Iron and Steel Company, and the Tata Iron and Steel Company have been working in agreement. We are all bound by that agreement to quote the same price. The prices during the last year have come down considerably following the fall in world prices. We ourselves have never advocated a reduction of prices in India but this has from time to time been proposed by another Company and we have agreed. The low prices have been due to the fact that production has exceeded demand and that they must get rid of their large output and not to any assistance given to the Tata Steel Company. And we think the Board are entitled to know that these low prices in India which are now complained of were originally introduced at the instance of another Company and with the consent and approval of the Bengal Iron Company."

President.—Thank you very much, Mr. Peterson. That statement will, of course, go on the record. From the letter we received from the Bengal Iron Company yesterday it appears that there had been some misunderstanding. When we took their oral evidence the impression conveyed to my mind was that the Bengal Iron Company contended that the low price of pig iron in India was due to the action of the Tata Iron and Steel Company—I mean for sale in India and not for export. From the letter received yesterday morning I gather that I misunderstood what their contention was. There are two or three places where I think their statements are quite definite. For instance, here is one of them:—"We do not agree that the protection of steel in India has led to an unduly low price for pig iron. The price of pig iron in India is fixed by the price the importer will pay for exported Indian pig iron." Then again—"We have never said that the Tata Iron and Steel Company were responsible for the fall in price." That, of course, clears the ground so far as the Indian price is concerned and the statement in their letter is quite in line with what you have read to us. Therefore, it is unnecessary for the Board to ask you any further questions about that because there does not seem to be any difference of opinion. As regards your sales to America, I think the statement you read to us was that any pig iron that you send to America is sent through agents who obtain the best price for you.

Mr. Peterson.—We send it on consignment.

President.—Therefore, I think it is also unnecessary to ask any questions about exports to America and we can now go back to the main question. I understand now what the Bengal Iron Company complain of is about the sale of pig iron to Japan at a rate of Rs. 39 per ton f.o.b. Calcutta which is equivalent to Rs. 35 a ton f.o.r. Jamshedpur. I think at our last meeting there was some misunderstanding about that. Mr. FitzPatrick had been quoting prices f.o.b. Calcutta, and when he mention the information he had

received from his Japanese agents as to your sales early this year, and gave a figure of Rs. 34 a ton I confirmed it from my recollection of your evidence which was Rs. 35 a ton. I forgot at the moment that you were quoting f.o.r. Jamshedpur while Mr. FitzPatrick was quoting f.o.b. Calcutta. That point is now cleared up. I should like to know when these sales took place.

Mr. Peterson.—Our sales of pig iron to Japan are very much complicated with the old contracts. The actual position at present is that we have one old contract which is 5 or 6 years old and is running just now, and two old contracts which have just expired. No fresh prices were fixed with Japan after 1923 until November of last year. Our present arrangement with Japan is that prices are fixed every six months with reference to the market price of similar iron imported from any country into Japan. We have always dealt through the same firm in Japan and they have taken against these high old price contracts very much to their own disadvantage and they came to us and asked us to come to some arrangement and to fix that up for a period of three years. We had a good deal of negotiation as to prices and we have rejected any fixed price arrangement and the final arrangement is that we will supply if the prices suit us and are fixed every six months. We have sold to Japan 3,000 tons a month at the rate of Rs. 39 f.o.b. Calcutta, but it was a condition of that sale that our Japanese buyers should take under an old contract 2,000 tons a month at Rs. 75. They have still to take 18,000 tons under the old contract. We would consider the price at which we have agreed to sell as a comparatively low price but another Company which is at present selling to Japan is exporting at the same price and obviously we cannot get a higher price.

President.—One point I should like to take into account is this. I gather that although there is an arrangement between the three Companies as regards the selling price in India, there is no arrangement as regards the selling price of pig iron for export.

Mr. Peterson.—There is none at present but we are negotiating for such an arrangement.

President.—If that be the case, and if the supplies of pig iron from India form a substantial proportion of the Japanese consumption, then clearly competition between the Indian companies would be an important factor in determining the market price of pig iron in India?

Mr. Peterson.—Yes, it is.

President.—The question is, which of the companies, so to speak, took the initiative in bringing down the price to Rs. 39 f.o.b. Calcutta?

Mr. Peterson.—I don't think there is any question of our bringing down the prices.

President.—From what source did Japan obtain that pig iron?

Mr. Peterson.—She could obtain from England or from Europe.

President.—But do you suggest that the price at which Japan could obtain pig iron from England would be about the same as the price at which she can obtain pig iron from India?

Mr. Peterson.—She could obtain from the Continent at this price.

Dr. Matthai.—Is it true that the bulk of the Japanese demand is met from India?

Mr. Peterson.—I think since the war they have been in the habit of taking Indian pig iron.

President.—Surely in the matter of business the Japanese are a very shrewd people. If they find that they can obtain pig iron from anywhere else where it is cheaper, they won't take it from India, will they?

Mr. Peterson.—As a matter of fact I myself made this arrangement as this price was given to me as the price at which they could get pig iron elsewhere.

President.—Did they indicate from whom they could obtain it?

Mr. Peterson.—I think it could come in from any country. But probably from China.

President.—If India was importing pig iron successfully to America and also a certain amount to England, surely it is not coming from these countries?

Mr. Peterson.—It is not impossible. I think there is a good deal of American pig iron coming in to Japan.

President.—That may be a special quality, and not in competition with Indian pig iron. These might come in, just as a certain quantity of British pig iron is imported into India to-day.

Mr. Peterson.—They may have contracts with America.

President.—If it came under contract at a higher price, then that would not affect the market price of the pig iron obtained from India.

Mr. Peterson.—This arrangement was based on the understanding that the prices would be fixed with reference to the market price of similar pig iron imported from any country into Japan.

President.—I understand that, on condition that they took 2,000 tons under the old contract, you were prepared to supply up to 3,000 tons a month at what was believed to be the market price to-day in Japan?

Mr. Peterson.—What they represent as the market price and what, so far as we can see, is the market price.

President.—I gather from what you said that from 1923 all pig iron you sent to Japan was sent under old contracts and paid for at those rates.

Mr. Peterson.—Except in the case of one contract, where we reduced the price and extended the period. The original price at which some of the pig iron was sold was Rs. 140 a ton. It would be quite impossible for anybody to take it at that price now.

President.—Then you are not in a position from your own sales to tell us what price could have been obtained for export to Japan, say, a year ago, because that is naturally the point the Board are interested in.

Mr. Peterson.—I think in the year 1923 it was Rs. 60 a ton. We mentioned this fact during the first enquiry and this appears on page 139 of Volume I of Evidence, footnote to Statement No. XXII.

President.—It is quite easy to understand that the market price of pig iron, that can be obtained from any Indian producer to-day in Japan, is Rs. 39 a ton f.o.b. Calcutta, but the question is whether that price is due to the competition of all the Companies, or due to the price at which one of the Indian competitors is offering?

Mr. Peterson.—It is practically the world price.

President.—Undoubtedly, you cannot get a better price than the world price, but you may get a worse one.

Mr. Peterson.—That is so.

President.—Would you mind telling us the freight to Japan?

Mr. Peterson.—Rs. 9 a ton.

President.—If it is Rs. 39 f.o.b. in Calcutta, it would be Rs. 48 (Rs. 39 plus Rs. 9.)

Mr. Sawday.—Yes. Rs. 48 taking at 1s. 6d. is 72 shillings. The freight from Antwerp to Japan or Hamburg to Japan is probably about 22 shillings. The freight by rail from Antwerp to Italy, I don't know.

President.—Can you refer the Board to any commercial handbook, which would give the Japanese imports and which would also give us any information as to the Japanese production. There are blast furnaces in Japan, are there not?

Mr. Peterson.—I can give one piece of evidence as to the world price. At that time we had large stocks and we were anxious to sell them. The highest figure we could get for pig iron was £3.

President.—£3 where?

Mr. Peterson.—F.o.b. Calcutta.

President.—That would be Rs. 40.

Mr. Peterson.—Yes.

President.—Still it does not follow that you could not have got a better price in Japan.

Mr. Peterson.—We could not do it for long, because other people would come in and cut the price.

President.—Whatever the world price was, would the price of pig iron in Japan always be higher than it would be in England?

Mr. Peterson.—It is quite possible.

President.—I don't say it is so. It is possible that it might be so.

Mr. Peterson.—We could obtain for you from our Japanese agents a statement of prices.

President.—We shall be glad to receive any evidence which you think you can send us.

Mr. Peterson.—In the Bombay Office I have actually got a copy of a telegram showing what the prices were.

President.—The facts should be ascertained as far as possible.

Mr. Peterson.—I will send you the statement of prices.*

Dr. Matthai.—Under this contract you sold at the rate of Rs. 39. Did that really represent the current export price of India?

Mr. Peterson.—So far as I know, the other Company exporting to Japan were selling at Rs. 39 and Rs. 40. There is another point that arises here. To a certain extent, we have always been expecting competition in pig iron in Japan from the Manchurian furnaces. I do not know to what extent they have been upset by the recent troubles in China. Probably I think they are not working, in which case the price in Japan will go up.

President.—Naturally production in Japan itself must be expensive, since they have to import their iron ore.

Mr. Peterson.—Yes.

President.—There are two or three other points which I should like to mention to you, but, the main point was the one we have just discussed.

Mr. Peterson.—I should like to put it this way. It may be that we have made a mistake in the matter of price and our buyers have taken advantage of that. We have no desire to sell at a lower price. There seems to be some suggestion that we have.

President.—Your statement is you have no desire to sell pig iron at a lower rate than the market price.

Mr. Peterson.—We have no desire to sell pig iron at less than the ordinary market price. If we could get more than the ordinary market price, we should be very pleased to get it.

President.—It occurred to me that one possible explanation was that, owing to the very heavy accumulation of stocks of pig iron at Jamshedpur, you might have been willing to unload a considerable quantity at a sacrifice, would that be correct?

Mr. Peterson.—We were anxious to get rid of the stock and we are still anxious, but against that is the fact that we have accumulated large stocks. About 18 months ago we had 60,000 tons. Now we have 125,000 to 130,000 tons on hand and in addition we have blown out a blast furnace.

Dr. Matthai.—Precisely when was that done?

Mr. Peterson.—It was done early in October.

Dr. Matthai.—I think there were two suggestions made to us. The first was that as a matter of fact you were selling at unremunerative prices and the other suggestion was that in some way it was worth your while to do so.

Mr. Peterson.—I think all over the world the iron industry to-day is selling at unremunerative prices, but I don't think it can possibly be anybody's worth while to do so. I can see no particular advantage in it. When we come to the question of export, we go altogether away from the small competition that might possibly exist in India. We enter a very big field. The pig iron production of India as compared with the world production is infinitesimally small. There can be no question about cutting prices.

Dr. Matthai.—The price of Indian pig iron is determined really by the conditions in the export market?

Mr. Peterson.—Yes.

Dr. Matthai.—But the export price always stands somewhat lower than the internal price.

Mr. Peterson.—Always it would be lower.

Dr. Matthai.—What really happens is that, if the export price moves, then that reacts upon the internal price.

Mr. Peterson.—That is what has been happening for the last two or three years.

Dr. Matthai.—They move in the same direction, but they don't necessarily move in the same proportion, am I right?

Mr. Peterson.—That is correct for the last two or three years. That is due largely to special causes.

Dr. Matthai.—What special causes.

Mr. Peterson.—I don't think you can theorise about that.

Dr. Matthai.—I am only trying to understand it.

Mr. Peterson.—It has been reported in the newspapers—it was in the Times of India and in the Iron and Coal Trades Review—that the American Government have been considering the question of the import of Indian pig iron with a view to preventing it either by tariff or some such measure. That might affect prices in India.

President.—I should like to refer to one of the statements which you sent in with the letter showing the quantities of pig iron sold and the average prices obtained. The total quantity of pig iron despatched during 1924-25 was 184,530 tons. The average price realised was Rs. 48-13-0 per ton f.o.r. Tatanagar. The quantity sold for export was 133,242 tons and the average price received was Rs. 46-5-3 per ton. The quantity sold in India amounted to 51,288 tons and the average price was Rs. 55-4-3 per ton.

Mr. Peterson.—Yes.

President.—I think it would be useful if you could give us an explanation of what you told us as to the conditions of your sale of 3,000 tons. This Rs. 39 f.o.b. was conditional on the purchaser taking 2,000 tons under the old contract at Rs. 75 a ton, was it not?

Mr. Peterson.—At least Rs. 75 a ton.

President.—Was it an isolated case or have there been similar occurrences?

Mr. Peterson.—We have for the last three or four years been making and re-making contracts always on the condition that some portion should be taken under the old contract. It is very nearly exhausted now. It will be exhausted in nine months.

President.—What it comes to is this that the Japanese purchaser is unable to take the full quantity at the higher price.

Mr. Peterson.—After the earthquake in Japan, the condition of the industry was so disorganised that, if we had pressed this question, it would not have been to our advantage.

President.—One knows that in various countries there are difficulties in enforcing old contracts, and therefore the best way to get out of it may be an arrangement such as you made.

Mr. Peterson.—This arrangement was, as a matter of fact, made by an independent authority. Both referred the question for settlement to a third person. We agreed to the decision and so did the Japanese firm.

President.—He fixed the price?

Mr. Peterson.—Yes.

President.—That is a very important fact, if the price was fixed by him.

Mr. Peterson.—This happened about two years ago.

President.—I thought that it referred to the recent sale.

Mr. Peterson.—No, it has no reference to that.

President.—We need not go into the details as to what happened three years ago.

Mr. Peterson.—We fix these prices every six months.

Dr. Matthai.—There is only one outstanding contract with Japan?

Mr. Peterson.—The new arrangement is not strictly speaking a contract because the price is not fixed by the contract but from time to time.

Dr. Matthai.—What I mean is that it is the only case in which you are getting a higher price.

Mr. Peterson.—Yes.

Dr. Matthai.—When that contract expires, you simply get whatever happens to be the market price.

Mr. Peterson.—Yes. There is another point about this. Our buyers don't use the pig iron themselves, but supply it to other people, and unless we agree to give them a certain amount at the current market price, they cannot average their losses. If we insisted on their taking all the pig iron under the old contract, their loss would be very heavy.

President.—That is to say, you are selling mainly to people who are merchants and not manufacturers.

Mr. Peterson.—They don't use it themselves. They supply it chiefly to manufacturers.

Dr. Matthai.—During the time both the agreement and the contract existed, what kind of average price did you get?

Mr. Peterson.—About Rs. 53 to Rs. 54 a ton.

President.—The next point I want to refer to is the statement in the letter which we received from the Bengal Iron Company. Their complaint is that the Tata Company are selling their pig iron below their cost price. Taking the works cost of pig iron at about Rs. 30—it might be higher or lower I am not certain—taking the works cost at that, the overhead charges and the return on capital on the pig iron as estimated by the Board in its original enquiry, would amount to Rs. 8 a ton.

Mr. Peterson.—Yes.

President.—I do not want you to assent to that figure. It is entirely the Board's own calculation. The Tata Iron and Steel Company have no responsibility for that figure. If that figure was correct, then of course it would follow that Rs. 35 f.o.r. Jamshedpur would be a price which would be below the all-in cost price.

Mr. Peterson.—On the Board's assumption it is right.

President.—I do not wish to enter into that question what would be the fair price to the manufacturer.

Mr. Peterson.—It raises the question how far we were wise in fixing the contract at that price.

Mr. Sawday.—I may say that our agreed selling price to Karachi works out also below cost.

President.—Is it below cost?

Mr. Peterson.—We all do it. We have to meet competition as it occurs.

President.—Is not that governed by the price at which you are selling pig iron?

Mr. Peterson.—We have to take the price at which all companies are selling pig iron.

President.—Where does the competition come from?

Mr. Peterson.—From England.

President.—Can you tell me what the price is?

Mr. Sawday.—I think I am correct in saying that the price is about Rs. 65 or Rs. 68. Our railway freight is in the neighbourhood of Rs. 30. Freight from Antwerp is in the neighbourhood of Rs. 9 or Rs. 10.

Dr. Matthai.—Your point about mentioning Karachi is that you have agreed to sell below cost.

Mr. Peterson.—We have to sell below the cost price, if that is the best price we can get.

President.—The British manufacturers of pig iron sometimes have to sell below the all-in cost. Some of them have blown out their furnaces, because they can't go on.

Mr. Peterson.—You are aware that our steel prices do not cover our overhead.

Dr. Matthai.—There is nothing like an agreement among the various pig iron producing companies in India as to current prices in India.

Mr. Peterson.—In India there is.

Dr. Matthai.—What form does that take? I am not quite clear about it.

Mr. Peterson.—They meet once in a fortnight or a month and we agree what price should be fixed. We have different prices fixed for different places.

Dr. Matthai.—For how long has that practice been going on?

Mr. Peterson.—18 months.

President.—There are two passages in this letter of the Bengal Iron Company which I would like to read to you as I have got some questions to ask about them. One of them is as follows:—

“Any Company, if they can, will endeavour to drive a competitor out of the market, and we have every reason to believe that this has been the policy of the Tata Company for some time past. See their Statement XXII, Tariff Board evidence, Volume I, page 139, where it is shown that the Tata Company made sales at Rs. 27 less than the wholesale market price when the contract was made.”

The second passage is as follows:—

“Statement XXII will show that there has been a deliberate policy of price cutting by the Tata Company ever since 1916 and we attribute, in part, the Tata Company's financial position to this policy. We do not think there could ever have been a necessity to cut prices of iron to the extent of Rs. 27 per ton.”

The statement at page 139 is the statement of your pig iron. The particular one referred to is apparently the contract with the North Western Railway for 90,000 tons, about 9,000 tons annually. The market price given by you was Rs. 85 and the price you took was Rs. 58. Will you explain to the Board why you were willing to accept a lower price?

Mr. Peterson.—I think the present market price of pig iron shows that we were justified in making that contract. The contract is for 10 years. At present for instance the market price of pig iron in India is about Rs. 42. If the North Western Railway takes it at Rs. 58, we should be making a considerable profit over the ten years contract. Rs. 85 referred to was the wholesale price at the time the contract was made but if you wish to judge this sale you should take into account the wholesale market price throughout the period of ten years.

President.—In making long term contracts for forward sale, your point is not what might be the wholesale market price at the moment, but what the buyer and the seller thinks the market price in future is likely to be.

Mr. Peterson.—I think in this particular case what we took was our prospective cost and we may claim that, as it was for a period of ten years, this was very much to our advantage.

President.—It is not a question of cost. It is a question whether you could get a better price than that, if you did not make the contract. One always assumes that it a matter of judgment on both sides. The buyer thinks that if he does not make the contract he will on the average have to pay more, conversely, when the seller sells he thinks that if he does not make the contract, he will on the average get less.

Mr. Peterson.—There might be another consideration for a seller. He may wish to get rid of a certain proportion of the output with certainty. That is one of the reasons for long term contracts.

President.—In the annual reports of Tea Companies and Rubber Companies one always hears about forward sales, but it is not for ten years.

Dr. Matthai.—Was cost one of the factors that you took into account when you entered into a forward contract at Rs. 58?

Mr. Peterson.—I think that the question of cost does enter into this. The date of the contract is 1st January 1920, and 31st December 1919 was approximately the date on which we expected the Greater Extensions to be working. We had estimates what our costs would be when the Greater Extensions were in operation. As the Board knows, they were very low figures, which were not fulfilled. I think probably these contracts were made on the production expected from the new works, which we knew, was going to be made at a very low cost.

President.—Your contention is that the price to the manufacturer is not determined by his costs, but entirely by the conditions of the market. Do you mean to say, because of your low cost of production, you would be prepared to accept a lower price?

Mr. Peterson.—If somebody, for instance, to-day were to offer to buy our whole steel output at Rs. 200 a ton, we might be inclined to accept that offer.

Dr. Matthai.—I suppose that when you are trying to make a long term contract for about 10 years, the cost is an important factor, whereas, if you are thinking of a deal straight away, the cost is not so important, but the important factor is the supply and demand at the time.

Mr. Peterson.—Yes.

President.—I have no doubt that you would have at least considered whether you could supply pig iron without loss or what sort of profit you are going to make out. My point is different. Are you suggesting that you would take less than the best price you could get?

Mr. Peterson.—No. There will be very few people willing to make a contract for ten years. The North Western Railway was the only railway who would do that.

President.—As an ordinary feature of business, in order to make sure of selling a big proportion of the output in large quantities, you would be content to take something less.

Mr. Peterson.—The North Western Railway is not taking now, because the Railway Board have got large stocks of pig iron.

President.—I take it all these contracts are covered by the general statement that they are all similar in this sense that when you are estimating for these long term contracts the vital point is not the wholesale price at the moment, but the price that would obtain for a long period of years qualified by the fact that it is an advantage to the manufacturing company, if it can make sure of selling a considerable proportion of the output.

Mr. Peterson.—Yes.

President.—Do you admit the statement which I read to you “that there has been a deliberate policy of price cutting by the Tata Company”?

Mr. Peterson.—No, I don't think so. We feel rather strongly about that. We feel that the price has been cut against us.

President.—Then in this letter a passage is quoted from your written statement in this enquiry. The sentence is this:—

“The increase in the steel capacity of the works would immediately enable the Company to blow in the fifth furnace and to use the pig iron produced from it for the manufacture of steel, also the increased production would very greatly reduce the overhead charges on steel.”

Mr. Peterson.—That is from our representation.

President.—The words in this letter you find underlined are “also the increased production would reduce the overhead charges of steel.” What I would like to know is the increased production of what?

Mr. Peterson.—The words “increased production” refer to the increase in the steel capacity of the works.

President.—I wanted to be quite sure that was the meaning.

Mr. Peterson.—The increased production of pig iron would not make any difference.

President.—If you blow in a fifth furnace and, simultaneously, instal a third tilting furnace, would the consumption of pig iron in the third tilting furnace equal the capacity of the blast furnaces?

Mr. Peterson.—The third tilting furnace would consume all our pig iron. I don't think we would have any surplus.

Dr. Matthai.—If you had another tilting furnace and the fifth blast furnace, you would have nothing more than what you would normally require.

Mr. Peterson.—As a matter of fact, I don't think we would have enough pig iron to keep the tilting furnaces fully occupied. You must remember, if I might explain that, that we must always make certain quantities of pig iron as the duplex plant steel can only be made from hot pig iron. As the hot pig iron is produced, it must go somewhere, as it cannot be used cold. But I don't think we would have any surplus pig iron to matter with a third tilting furnace.

President.—The thing could be worked out on the basis of your actual consumption of pig iron in the duplex process, provided one knows what the output of the fifth blast furnace would be.

Mr. Peterson.—The output of the fifth blast furnace is very much the same as the two small furnaces—300 tons a day.

President.—That is about 108,000 tons a year.

Mr. Peterson.—Yes. You have got to take a certain number of furnaces on ferro and you have to consider one furnace blown out for relining. Consequently, you would never have all the furnaces working simultaneously. That is the trouble.

President.—Perhaps I might put it this way. As far as I can judge, if you had three tilting furnaces and if they were all producing the quantity of steel that they were originally expected to produce, then of course you would be producing a great deal more steel than according to your original intention.

Mr. Peterson.—Yes.

President.—In that case, I can easily understand that you will eat up all your pig iron. Therefore, that is where the question really comes in. Hitherto the best output from the two tilting furnaces has been 20,000 tons a month. For three on that basis you will get only 30,000 tons and I don't think you can eat up all your pig iron, but if you were producing 15,000 tons for each—45,000 tons in all—the position would be different. 570,000 tons is what you expect to produce.

Mr. Peterson.—These are our latest calculations. We get a total production of 684,000 tons of pig iron from the five furnaces, i.e., 300 tons a day from "A," "B" and "E" and 500 tons a day from "C" and "D." You can justify these figures as they are based on actual productions. For ferro, there is a reduction of about 36,000 tons from the total production.

President.—That is ferro used in the manufacture of steel.

Mr. Peterson.—Yes. If you take off 1½ furnaces for relining for three months per year, it would take off another 45,000 tons, that is to say, you can take off 81,000 tons in all. That gives you 603,000 tons. If you take off the foundry requirements, which would be 18,000 tons, the balance of 585,000 tons is available for sale or manufacture of steel.

President.—You are using more pig iron for your foundry purposes.

Mr. Peterson.—We are taking off 18,000 tons as against 12,000 tons. Taking it from the steel ingots the position would be as follows:—Pig iron available for ingots and foundry 603,000 tons per year. Of this, the open hearth would require 132,000 tons of pig iron giving 216,000 tons of ingots per year. This will leave 471,000 tons of pig iron. During the week-end repairs at the open hearth and the duplex and on account of various minor delays, etc., about 4,000 tons of pig iron per month or 48,000 tons per year cannot be made into steel, because the steel furnaces will not be available for it when it is made. From this quantity the foundry will get its supply of 18,000 tons a year. This reduces the liquid iron available for the duplex to 423,000 tons and the whole of this would be used up by the three furnaces.

President.—How does the consumption of pig iron in the duplex compare with the result of the last five months?

Mr. Peterson.—The yield of ingot from pig iron is in the proportion of 8 to 10. It is about 1½ tons of pig iron to a ton of steel. The third tilting furnace will not be fully occupied in producing steel but it is worth putting in.

President.—It just depends on whether, with this new blast furnace actually working, your average is not going to be more than what it is.

Mr. Peterson.—It might be.

Witness No. 2.

THE TINPLATE COMPANY OF INDIA, LIMITED.

A.—WRITTEN.

Statement I.—Representation dated 16th May 1924, to the Commerce Department, Government of India, Simla.

We have the honour to invite the support of the Government of India to our request for a protective duty of Rs. 80 per ton on tinplates *vice* the duty of Rs. 60 per ton proposed in the Tariff Board's Report.

2. The Company was called upon to give evidence before the Tariff Board in a very early state of its career before Capital expenditure had been completed and when only partial operation had been commenced.

3. In putting forward its evidence the Company was anxious not to over-estimate the losses which it was likely to incur, and there is no doubt that in so doing it has not sufficiently impressed upon the Tariff Board the critical state of its financial position.

4. We now have the experience of some 4 months of full working, that is to say, all the units of the plant have been employed, and this experience has shewn us the great difficulties to be met with in keeping a complicated process such as that of tinplate manufacture working continually and without interruption through its many departments. From our recent experience, we feel sure that we must be prepared to meet with periodical breakdowns and interruptions throughout the Mill, gravely affecting production, and we shall thus have little or no prospect of attaining to an average annual production over the next few years of more than 520,000 boxes or some 100,000 boxes less than the 622,000 boxes upon which the Tariff Board's calculations are based. In this connection it is significant that the output of finished tinplates during the first four months of this year amounted to less than 145,000 boxes of which about 75 per cent. only were prime plates and marketable at full prices.

5. It is therefore evident that in view of the decreased output which we are likely to meet meanwhile, until our labour has become more efficient and we have overcome the mechanical difficulties always inherent in a new plant, our costs will be higher.

6. Against the figure of Rs. 2,025 per 100 boxes which includes an allowance for "Wasters" shewn as works costs in Statement I of the Tariff Board Report, we calculate on the basis of recent actual costs an expenditure of Rs. 2,144 on an output of 520,000 boxes. This figure represents actual costs and no addition has been made for Wasters, *i.e.*, imperfect sheets which do not command the full market price.

7. Again our interest charges are appreciably higher than mentioned in these statements. In paragraph 36 (second report) reference is made to these interest charges. The whole amount of the Rs. 125 lakhs Debentures has been issued, and the funds raised by these Debentures have not been sufficient to provide the necessary working Capital after satisfying Capital expenditure. Further borrowings have therefore been entailed, and for these additional borrowings the Company has not been able to improve on the 10 per cent. interest rate borne by the Debentures.

8. It is estimated that our interest charges on Debentures and Loans for the year 1924 alone will amount to not less than Rs. 15 lakhs, and unless sufficient profits can be earned to pay off Debenture Interest in arrears, these charges will increase substantially every year, and there will be no hope of recouping the very heavy losses made on last year's working.

9. Comment is made in the Report on the high rate of interest at which money has been borrowed by this Company. It must be pointed out, however, that the Company had little definitely realisable security to offer, since the

failure of the enterprise would reduce most of the plant to a scrap value, nor could it give to its Debenture-holders any prospect of their obtaining prompt payment of Debenture Interest. The cost of the plant was unfortunately much larger than was anticipated and prices prevalent at the height of the industrial boom had to be paid. The Board state that other Companies were able to borrow at $7\frac{1}{2}$ per cent., but we suggest that such Companies had better security to offer and were either "running concerns" or had much clearer prospects of success.

10. In the Tariff Board statements interest on Rs. 40 lakhs working capital is shewn as Rs. 64 per 100 boxes. This figure should now be Rs. 96 based on an interest charge of Rs. 5 lakhs (10 per cent. on Rs. 50 lakhs) and an annual output of Rs. 520,000 boxes. Similarly depreciation which is now calculated upon actual Capital Expenditure as at 31st December last at the low rates of $2\frac{1}{2}$ per cent. on buildings and $7\frac{1}{2}$ per cent. on Machinery and Plant now costs us Rs. 188 *vice* Rs. 137 per 100 boxes.

11. The average net price now being obtained for our Tinsplates—Primes and Wasters—is Rs. 19-20 per box, against the price of Prime Imported Tinsplates (4th August) shewn in the Report of Rs. 21-16, the current price of Prime plates being only Rs. 20-64. The figures submitted to the Board by us were calculated on an exchange of 1s. 4d. Current prices mentioned above tinsplates. As explained above, instead of adding 10 per cent. to our costs to cover the reduced return on Wasters and treating our full production as capable of securing the full price, we have taken actual costs and must take average returns of Primes and Wasters *per contra*. The Tariff Board figure of Rs. 2,116 is not therefore directly comparable with our revised average figure of Rs. 1,920, but rather with the Rs. 2,064 figure indicating a smaller return by some 8 annas per box and representing a reduced income of, say, Rs. 2,60,000 annually.

12. Taking into consideration the alterations in expenditure and income mentioned above, the resulting Profit and Loss Account to our Company becomes very different from that shewn in the Report. For the sake of clarity, we give below statements drawn up in similar form to Statements I and II of the Report.

Statement No. I.

	Per 100 boxes. Rs.
Total works costs	2,144
Depreciation	188
Interest on working capital (10 per cent. on Rs. 50 lakhs)	96
TOTAL	2,428
Interest on debentures representing fixed capital (10 per cent. on Rs. 85 lakhs)	163
Interest at 6 per cent. on Rs. 75 lakhs share capital	87
Total cost as provided for in the contract	2,678
Price of imported tinplate including existing duty of Rs. 2 per box	1,920
Loss on the production of Tinplate	758
Share of the loss to be borne by the Iron and Steel Company	379
Nett loss to the Tinplate Company	379

Statement No. II.

Cost of production calculated in accordance with the contract	2,678
Imported price including duty of Rs. 3 per box	2,020
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Loss on Production	658
Share of the loss to be borne by the Iron and Steel Company	329
Cost of production excluding all interest charges on fixed capital expenditure	2,428
Imported price including duty of Rs. 3 per box <i>plus</i> the amount payable by the Iron and Steel Company	2,349
	<hr/>
Deficit to Tinsplate Company or on 520,000 boxes	4,10,879
	<hr/>

13. Additional protection to the extent of a further Re. 1 per box would thus give scarcely more than 1 lakh of Rupees per annum as against Rs. 8½ lakhs interest on "Fixed-Capital" debentures requiring to be met before any dividend can be paid on the share capital. The prospects of the Company becoming a paying concern must thus entirely depend upon our ability to secure improved efficiency of working and comparative immunity from mechanical breakdowns. The duty would then be Rs. 80 per ton or 20 per cent. on a valuation of Rs. 400 per ton.

14. It is interesting to note in connection with the Board's proposals in regard to the Steel Industry that the percentages of duties on different classes of steel which they recommend vary from 15 per cent. up to 30 per cent. and it is therefore felt that in asking for 20 per cent. we are not putting forward a request which may in any way be considered as unreasonable.

15. As we have mentioned above, we see little prospect in the meantime of obtaining a larger annual output than 520,000 boxes, and to secure this it may be necessary to incur further capital expenditure, if Funds can be raised for that purpose. It is obvious, however, that unless we can shew a reasonable possibility of being able to give a return on any further borrowings, we shall be unable to raise the capital required. In fact, our figures show that, apart from any further financial requirements, what we ask is very doubtfully adequate to secure that reasonable return on the money already invested, upon the necessity of which Chapter VI of the Tariff Board's First Report lays such definite emphasis. In the circumstances it is earnestly hoped that our request for a protective duty of Rs. 80 per ton will be favourably considered.

16. It is clear that the duty recommended by the Tariff Board does not, in the light of these figures, satisfy their own condition as given at the end of para. 37, viz., "the minimum which will suffice to keep the Company going until it is in a position to stand alone, nor does it satisfy the fundamental principle recited in para. 30 of the First Report and re-emphasised in paragraph 106 of the First Report in the words "the measures taken must be adequate for their purpose and must do justice to the facts of the case."

17. There is no doubt that the maintenance of this new industry is of the greatest importance to India. During the Great War the Nation was very much embarrassed by the shortage of tinsplates which were in urgent and continuous demand for the purchase of packing Petrol, Kerosine, Stores, Ghee, etc., and it is obvious that the failure of the Tinsplate Industry to establish itself in India would be fraught with the most serious results to the common-weal in times of national emergency.

We have addressed a letter in identical terms to the Secretary, Commerce
Finance
Department.

Statement II.—Further representation, dated 13th January 1925, to the Department of Commerce, Government of India, Delhi.

We have the honour again to address you upon the subject of the Customs duties on tinplates which so vitally affect the interests of this Company, and in this connection we beg to be allowed to comment briefly upon the origin of our appeals for further consideration.

2. As a result of the findings of the Fiscal Commission, the Government of India accepted the principle of giving protection to approved industries for approved periods and following upon this they appointed a Tariff Board to consider and make recommendations upon appeals for such protection. This Tariff Board duly examined the Steel and Tinplate Industries and after exhaustive enquiries definitely approved both as worthy of protection and recommended the degree of protection necessary to meet the situation. These recommendations were subsequently approved by Government and as a result the Steel Industry (Protection) Act, 1924, was duly passed as law.

3. In their report to Government, the Tariff Board laid down the general principle that Protection where justified, could only be justified if the degree of it was sufficient to protect the industry in question and this principle was accepted by Government, which accepted the wide executive powers afforded by clause 2 (1) of the new Act as a means of ensuring that adequate protection would in fact be afforded. During the course of last year after the Steel Industry (Protection) Act came into force, conditions changed very rapidly and as a result the Tata Iron and Steel Company, Limited, complained that the degree of protection granted was insufficient. We ourselves on the advice of the Hon'ble Member given to our Chairman on 14th July 1924, however did not put forward any plea in that direction at the same time.

4. As a result of the Tata Iron and Steel Company's appeal the Tariff Board again examined the condition of the Indian Steel Industry and in view of the tenets accepted by the Government of India to which we have referred above, logically recommended that a further protection to steel should be granted. In a resolution issued towards the end of November 1924 the Government of India accepted this recommendation, but expressed their intention of recommending to the Legislature at their session this month that the required assistance should be given in the form of bounties rather than by an increase in the Import Tariffs.

5. As a logical corollary to these recommendations in respect of steel the Tariff Board also recommended that the specific duty on tinplates should be raised from Rs. 60 to Rs. 104 per ton; and on the same grounds we had expected that our Company would participate in the bounty benefits which Government have announced their intention, as above, of substituting for higher tariffs. It was therefore with considerable disappointment that we learned from our Chairman that the Hon'ble Member at a recent interview in Calcutta had intimated that such was not Government's intention. Our opinion is that if Protection was justified in the case of our Industry—and all concerned in the recommending and granting of the Protection affirmed that this was the case—the grant of additional protection to maintain that imposed originally is equally justified and we cannot credit that it is the intention of Government seriously to contemplate reversing their own policy and to ignore the Tariff Board's recommendation at this early state of Protection. In the circumstances therefore we urge that the duty on Tinplates should be increased at the earliest possible date from Rs. 60 to Rs. 104 per ton.

6. This request is based upon the recommendation of the Tariff Board in paragraph 63 of their Report dated 8th November 1924, which recommendation was based merely upon an adjustment to compensate for the rise in the Rupee/Sterling exchange from the 1s. 4d. upon which their original recommendation was based. This, in all the circumstances of the case, seems to be the simplest basis to adopt although it does not cover all the facts of the case. Imprimis the rise in exchange affects us favourably in respect of that portion of our Sheet Bar requirements which we buy from the Tata Iron and Steel Co. in terms of our main contract, whose provisional steel price is derivable from sterling. But, as evidence that this benefit does not remove

our difficulties, we submit hereunder on the basis of actual costs as determined over the period January to September 1924 but correcting the cost of Steel Sheet Bar to the basis derivable from an exchange of 1s. 6d. Statements No. I and II which follow the same lines as those set out on page 128 of the Tariff Board's Second Report, dated 15th March 1924 and (as then revised) in our letter dated 16th May 1924 of which we attach a printed copy hereto for ready reference. In these statements we have revised the charges for interest and depreciation in accordance with the minimum amount which we shall incur this year. The price which we show for imported tinplates is that which we are now receiving from the Burmah Oil Co., Ltd., and we draw your particular attention to the fact that notwithstanding the additional duty granted under the Steel Industries (Protection) Act of Rs. 1 per box (Rs. 20 per ton) the price we are now obtaining for our tinplates is Rs. 18-15 against Rs. 19-20 in May last. We have also adjusted the capital charge figures to correspond with to-day's actuals on the following basis:—

Fixed Capital—

	Rs.
Issued share capital	75,00,000
Debentures @ 10 per cent.	88,00,000
Total (corresponding to block)	1,63,00,000

Working Capital—

Debentures @ 10 per cent.	37,00,000
Loans @ 10 per cent.	27,00,000
Total working capital	64,00,000

making a grand total of Rs. 227 lakhs invested in the enterprise to date.

Statement No. I.

	Per 100 boxes.
	Rs.
Total cost of production on the basis of January/September, 1924, as above	2,194
Depreciation	191
Interest on working capital (10 per cent. on Rs. 64 lakhs)	123
	<hr/> 2,508
Interest on debentures representing fixed capital (10 per cent. on Rs. 88 lakhs)	169
Interest at 6 per cent. on Rs. 75 lakhs share capital	87
	<hr/> 2,764
Price of imported tinplates including present duty of Rs. 60 per ton	1,815
	<hr/>
Loss on the production of tinplates	949
Share of the loss to be borne by the Tata Iron and Steel Company, Limited	474-5
Nett loss to the tinplate Company	474-5
or on 520,000 boxes, Rs. 24,67,400.	

We now give below similar figures to those shown in our Statement No. II of our letter of 16th May 1924 but with duty on the basis of Rs. 104 per ton as recommended by the Tariff Board and the other figures as per Statement No. I above.

Statement No. II.

	Per 100 boxes.
	Rs.
Cost of production calculated in accordance with the contract	2,764
Imported price including duty of Rs. 104 per ton	2,035
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Loss on production	729
Share of loss to be borne by the Tata Iron and Steel Company, Limited	364.5
Cost of production excluding all interest charges on fixed capital expenditure	2,508
Imported price including duty of Rs. 104 per ton <i>plus</i> the amount payable by the Tata Iron and Steel Company, Limited	2,399.5
Deficit to the Tinsplate Company	108.5
or on 520,000 boxes, Rs. 5,64,200.	

7. The figures given above show that even if the duty on tinsplates is increased in accordance with the recommendations of the Tariff Board, our Company will still be working at a loss of more than Re. 1 per box, and it may even be questioned whether a concern which gives no better showing with a 30 per cent. protection is justified in asking for it. In answer to such a criticism we should say firstly that this degree of protection is no greater than certain classes of steel now enjoy under the Protection Act and is materially less than the effective average protection suggested under the proposed bounty system; secondly that the industry, as shown above, has never yet had the protection which the Protection Act was designed to give it; and thirdly that the above figures based on the most recently available actuals, cover the first attempt to run our complete mill as a whole and therefore cover also more than the average expectation of breakdowns and loss from initial difficulties. We have anxiously examined the position in the light of this experience and are confident that by means of most rigorous economy in every direction and—with reasonable fortune in the matter of breakdowns—by increased output we should, with the assistance of the Rs. 104 per ton tariff for which we ask, be able before long to bridge the gap and at least set the industry on its feet. Without such assistance either in the form of Tariff or Bounty we cannot, meantime at least, see sufficient “day-light” to justify the shareholders in advancing more funds to keep the Industry alive; for it will require the combined assistance of Protective Duties and the highest degree of efficiency at our Works to put our tinsplates in a position to compete with the imported article. We may say however that the progress at our Works during the first two years of operation has been phenomenal and it has been established beyond doubt that tinsplates of as good a quality as any in the world can be manufactured in India. And the industry as we have already pointed out is one of genuine national importance. We therefore earnestly request that Government will favourably consider the appeal which we put forward for more adequate protection and that such consideration may be given without delay.

8. Alongside with our claim for assistance from Government for an increase in the duties of tinsplates, we have the honour to draw your attention to the very heavy incidence upon our manufacturing charges of the cost of tin. At the present time tin is costing us some Rs. 4,100 per ton or say Rs. 3-9 per box of tinsplates. Of the latter amount the Customs Duty of 15 per cent. on a Tariff Valuation of Rs. 3,500 per ton is responsible for 7 annas 6 pies per

box. This is a definite point of disadvantage as compared with our competitors in United Kingdom and United States of America where we understand that tin is imported duty-free. Our consumption of tin is in the neighbourhood of 450 tons per annum and according to the above figures the import duty on this quantity would amount to about Rs. 240,000. It would be of great assistance to us if the Government could either take off the duty on tin or alternatively allow our Company which is probably the largest single consumer of tin in India to import its requirements free of duty. We believe that very little tin is produced and none refined in India and therefore as long as India fails to produce refined tin, the Indian Tin Industry would not suffer. On the other hand the free importation of tin would be of very material assistance to us and we have the honour to request that Government when considering our case for increased protection for our tinplates will also give favourable consideration to our pleas for the duty free importation of tin.

Statement III.—Additional representation, dated 30th April 1925, to the Department of Commerce, Government of India, Simla.

In accordance with the suggestion which you made to our Chairman in Calcutta on 9th instant we have the honour to address you in supplement to our letter of 13th January last urging upon Government an immediate increase in the present specific duty of Rs. 60 per ton on tinplates. We have so far received no reply to this letter; and, as the matter is one of vital importance to our Company, we are most appreciative of your verbal assurance that it will have immediate attention on receipt of the supplementary and revising data which we submit hereunder.

2. In our January representation we detailed fully the reasons for our request, supported by figures which made it clear that *per se* the increase of the duty to Rs. 104 per ton, for which we asked in terms of the Tariff Board's latest recommendation, would not suffice to place our Company on a paying basis, explaining at the same time that the latest actual figures we were then able to submit (costs for January to September 1924) were such as we had a reasonable expectation of being able to improve upon. As explained to you by our Chairman we have since 1st January been able to work the factory to its utmost capacity, and thus to arrive at a more correct appreciation of what it is capable of turning out and to what costs on a maximum output basis may be reduced. With the qualifications specified in what follows this means that the figures of cost quoted in our January letter are replaced by January/March cost figures giving a materially more favourable showing; but otherwise our January representation stands and we therefore append a reference copy of our January letter hereto to be read along with, or as a preface to, the following.

3. At the outset we must emphasise that the multiplication by four of the First Quarter's showing cannot give a true picture of the Company's position for the complete year. January/March working must rather be regarded as a special test to see what maximum output could be obtained *under the most favourable conditions*. The period from January to March may be considered as being as favourable a period of three months in the year as can be obtained from the point of view of climatic conditions and the quarter in question has of course been exceptionally mild in temperature. During this time, our output of manufactured tinplates amounted to 168,000 boxes which far exceeded the output of any previous three months. As we have stated above this production was obtained by a special test effort and all concerned at the Factory worked to that end. It is thus improbable that a larger output will be attainable at present from our existing plant under ordinary working conditions. Our output, as we have said, from January to March was 168,000 boxes or an average of 56,000 boxes per mensem. At best we are not likely to be able to repeat this achievement over more than a further five months in the year, making eight "good" months in all. If we thus allow a similar average output for eight months in the year, our total for those eight good months would be 448,000 boxes. Based on the above figures and taking into

consideration the extreme difficulty—demonstrated by 1923-24 experience—of carrying out the arduous operations of tinplate manufacture during the hot weather we calculate that given an absence of serious breakdowns or cessation of work we might be able to manufacture during the four unfavourable months of the year about 192,000 boxes. Taking the good and bad periods together, we would thus obtain a total annual output of 640,000 boxes. But this must, we fear, be regarded as an optimum; and we consider that it may not allow sufficiently for breakdowns, which are inevitable, temporary shutting down of the plant on account of extreme heat, holidays, etc., and we must therefore deduct a contingency allowance to cover these sources of reduced output. We propose therefore to base our estimates in this letter on an annual output of 600,000 boxes. We do not wish to indicate definitely that our output will never exceed 600,000 boxes, as the more experienced our workers become, the larger output we should expect from them. It may be therefore that we may find that given favourable working conditions our manufacture may in time increase beyond the figure of 600,000 boxes, upon which we have based our estimates but we do not think that meanwhile we should be justified in calculating upon a higher figure—at any rate with our present plant. On the other hand the possibility of our not being able to attain the 600,000 boxes output remains a real one.

4. In our previous appeals to Government for Protection against imported tinplate commencing with our original appeal to the Tariff Board and following with our letters of 16th May, 1924, and 15th January, 1925, we have given estimates of our manufacturing costs which have of necessity been based upon figures obtained from the results of restricted working. We now propose to amend these figures upon the basis of manufacturing costs during the first quarter of this year when as stated above our factory was worked to its full capacity. We are still however unable to forecast with any degree of accuracy what our costs will be during the six months April—September during part at least of which period we must inevitably meet an appreciably reduced output.

5. Under our agreement with the Tata Iron and Steel Company, Limited, for the supply of Sheet Bar comprising the profit and loss sharing arrangement upon which the Tariff Board commented in their report, we shall only receive 28,000 tons in 1925. Our remaining requirements cannot be exactly gauged in view of the uncertainties enumerated in paragraph 3 above but barring accidents, they are not likely to be less than the amounts covered by the following outright purchases which we have already negotiated with a view to the maintenance of maximum possible output throughout the remainder of the year:—

From the Tata Iron and Steel Co.	. 10,000 tons @	Rs. 121 14 0
From Europe . . . . .	. 4,500 „ „ „	118 0 0
		<hr/>
TOTAL	. 14,500 tons @	Rs. 120 10 9

The prices are our lowest estimate of cost delivered in our factory and may be exceeded in actuality. Averaging this figure for outright purchases with the provisional price (mean-time Rs. 107) payable on the 28,000 tons of Agreement steel we arrive at an overhead average cost of all sheet bar for the year of Rs. 111-10-6 per ton. This price is liable to vary with exchange, but we have taken the figure of Rs. 112 in calculating the revised costs in paragraph 7 below. Next year (1926) and onwards we are due to receive 35,000 tons from the Tata Iron and Steel Company in terms of our Agreement at the provisional rate determined by prices in Wales (mean-time Rs. 107 as above) and the balance of our requirements will have to be purchased at the ruling market rates. These rates cannot be forecasted, and we cannot therefore see meantime beyond the year 1925.

6. The statement which the Tariff Board first prepared and published on page 128 of their report detailed a method of distribution of Debenture Interest and we propose to continue to adopt this method. We wish however

to draw your attention to the important fact that the Tata Iron and Steel Company, Limited, are contesting our right to charge the joint account with Debenture Interest and certain other important items of expenditure such as Calcutta Office expenses and the cost of maintaining our residential town for our employees at Golmuri. This dispute will in due course form the subject of a Law Suit and in the event of a decision being given against us the nett results obtained by our Company will be unfavourably affected to the extent that the Courts decide that these items of expenditure in dispute are not applicable to the joint account. We consider our case to be a sound one, but till the matter is settled this large contingent liability must not be overlooked.

7. The figures of provisional cost which we give below is based on our obtaining for eight months the same results as we have obtained for January/March this year, while the costs for the remaining four months have been based upon estimates of what it should cost us to produce a reduced output during this less favourable period. The cost of steel has been taken at Rs. 112 per ton (*vide* paragraph 5 above) and the price of imported tinplate is the equivalent of what we have actually secured during the first quarter of this year. The charges for Depreciation and Interest have been revised on the estimated actual charges as per our Sheet Bar Agreement distributed over a production of 600,000 boxes per annum. There are also slight alterations to be made in the fixed and working capital figures shewn in our letter of 13th January last which now become as under:—

	Rs.
<i>Fixed Capital—</i>	
Issued share capital	75,00,000
Debenture @ 10 per cent.	86,00,000
	<hr/>
Total (corresponding to Block)	1,61,00,000
<i>Working Capital—</i>	
Debenture at 10 per cent.	39,00,000
Loans at 10 per cent. and under	29,00,000
	<hr/>
Total Working Capital	68,00,000

making a grand total of Rs. 229 lakhs invested in the enterprise to date.

Our revised statements therefore become as follows:—

Statement No. I.

	Per 100 boxes
	Rs.
Total cost of production	1,808
Depreciation	153
Interest on working capital (10 per cent. and under on Rs. 68 lakhs)	90
	<hr/>
	2,051
Interest on debentures representing fixed capital (10 per cent. on Rs. 86 lakhs)	143
Interest at 6 per cent. on Rs. 75 lakhs share capital	75
	<hr/>
	2,269

	Rs.
Price of imported tinplates including present duty of Rs. 60 per ton (<i>i.e.</i> , our present average return on sales)	1,830
Loss on the production of tinplates	439
Share of loss to be borne by the Tata Iron and Steel Company, Limited	219.5
Share of loss to be borne by the Tinplate Company of India, Limited, after reserving Rs. 75 per 100 boxes as above for 6 per cent. interest on capital (Rs. 450,000)	219.5
Loss to the tinplate Company after allowing for above reserve Rs. 450,000	144.5
or Rs. 8,67,000 on 600,000 boxes.	

In our letter of 13th January we appealed to Government to increase the import duty on tinplate to Rs. 104 per ton in accordance with the recommendation of the Tariff Board. In Statement II below, we show the position on the basis of this increased duty, again following the form adopted by the Tariff Board's original report.

Statement No. II.

Cost of production calculated in accordance with the contract	2,269
Imported price as above but including a duty of Rs. 104 <i>vice</i> Rs. 60 per ton	2,050
<hr/>	
Loss on production	219
Share of loss to be borne by the Tata Iron and Steel Company Limited	109.5
Cost of production excluding all interest charges on fixed capital expenditure	2,051
Imported price as above Rs. 2,050 <i>plus</i> the amount payable by the Tata Iron and Steel Company, Limited, Rs. 109.5	2,159.5
Surplus to the Tinplate Company, Limited	108.5

8. This surplus of Rs. 108.5 per 100 boxes is equivalent to Rs. 651,000 on 600,000 boxes, which would not be sufficient to pay the interest on Rs. 86 lakhs debentures representing fixed capital, *i.e.*, Rs. 8,60,000. Reference to Statement II on page 128 of the Tariff Board's original report will show a curious parallel (in the less favourable of the two positions there cited) with the results shown above. This indicates that a duty of Rs. 104 per ton will not give the undertaking more than the Tariff Board considered reasonable when framing the recommendation contained in paragraph 3 of their original "Second Report." We wish also to point out that this Company is indebted to the Burmah Oil Company, Limited, to the extent of nearly Rs. 29,00,000 on account of Debenture interest in arrears and of further advances for working Capital. This of course is additional to the Rs. 125 lakhs debentures which the Burmah Oil Company, Limited, subscribed entirely. There must necessarily be a limit to the amount of finance which that Company can continue to provide, and while we hope that we may henceforth be able to meet current works expenditure from our revenue, it is essential that we should be in a position to pay back the loans we have incurred and the arrears of interest and that in future we should be able to pay our Debenture Inter-

est as it falls due. We shall therefore have to depend entirely upon an increased output, if we can obtain it, and further economies in working if we are to secure the additional surplus to meet the balance of current debenture and other interest and to pay off the arrears mentioned above. Looking to the near future we can unfortunately see little or no prospect of paying any dividend to our shareholders.

9. In our letter of 13th January we pointed out to you the material disadvantages under which this Company labours in comparison with Welsh Tinsplate manufacturers, owing to the customs duty in this country upon tin and we would again most urgently ask you to give favourable consideration to our appeal for the remission of duty on this raw material, at any rate.

10. We earnestly request you to give the very earliest possible consideration to our appeal for an increase in the customs duty on tinsplate to Rs. 104 per ton as you will understand from the figures that we have given you in this and previous appeals that our financial position is a most critical one. If it had not been for the confidence of our principal shareholder in the intrinsic soundness of this enterprise and their and our belief that Government would sooner or later come to our assistance in fulfilment of their expressed policy our Company must necessarily have ceased operations. We now have an idea as to what the Company should be able to do and given the assistance for which we are asking, the Tinsplate Industry in India should be able to consolidate its position, and in course of time, we hope, carry on without having to ask Government for special protection.

Without such assistance, which has been afforded in a much more material degree to the Steel Industry in India, it is difficult to see how the manufacture of Tinsplate in India can survive.

Statement IV.—Representation dated 27th June 1925, to the Tariff Board.

We have the honour to enclose herewith copies of the following letters which we have addressed to the Commerce Department of the Government of India since your Board took evidence upon the Tinsplate Industry in India:—

- (1) Letter of 16th May 1924.*
- (2) Letter of 13th January 1925.†
- (3) Letter of 30th April 1925.‡

The first letter was written after your Board had made their proposals which resulted in the Steel Industries (Protection) Act 1924, and before the question of the protection of the Steel Industry was debated in the Assembly and Council of State.

To the two letters (Nos. 2 and 3) no reply beyond a mere acknowledgment has been received from the Commerce Department. We have been given to understand, however, that in accordance with the Government of India's notification of 18th instant, any application in connection with the duties under the Steel Industry (Protection) Act 1924 should be made to your Board.

We therefore have the honour to forward to you the three appeals noted above and would particularly ask that your Board should give favourable consideration to our letter of 30th April 1925.

We forward you these letters in their present form in order to save time and it may be that our appeal should be addressed to you in some other form. If this is the case, kindly advise us, at the same time sending us any form of questionnaire to which you may wish to have our replies.

* Printed as Statement I.

† Printed as Statement II.

‡ Printed as Statement III.

Statement V.—Statement handed over by the Tinplate Company of India, Ltd., Calcutta, to the Tariff Board on the 8th July 1925.

Belgian Bar.

Quantity Shipped.	£	s.	d.
Ton 247-0-0-0 at £6-7-6 per ton f.o.b.	1,571	8	3
Freight and insurance	239	0	10
	<hr/>		
	1,810	9	1
Expenses for inspection as per B.O.C.			
D/Note	14	5	5
	<hr/>		
	1,824	14	6

c.i.f.
Calcutta.

or £7-7-9 per ton c.i.f. Calcutta.

	Rs.	A.	P.
£1,824-14-6 at exchange 1/5½	24,536	12	0
Import duty at 10 per cent.	2,450	4	0
L/R dues at Rs. 2-12-0 per ton	679	4	0
Miscellaneous	0	7	0
	<hr/>		
	27,666	11	0
Estimated Railway freight from jetty to Tatanagar 6,736½ maunds at Re. 0-3-6 per maund	1,473	10	0
Siding charges on 247 tons 12 wagons at Rs. 10 each	120	0	0
	<hr/>		
	29,260	5	0

Or Rs. 118-7-5 per ton f.o.r. Works.

Tatas' Contract	2,250 tons at Rs. 118	} Rs. 122-6-0.
	1,000 tons at Rs. 130	
not exceeding	8,000 tons at Rs. 123	

Statement VI.—Letter, dated 7th August 1925, from the Tinplate Company of India, Limited.

With reference to your telephonic request of date we send you herewith statement showing production of the Tinplate Company of blackplate and tinplate for the months April 1923—March 1924.

	Blackplate.	Tinplate (all qualities).
	Tons.	Tons.
April 1923	582	23
May	642	348
June	388	448
July	556	926
August	564	860
September	1,113	1,290
October	1,549	2,038
November	1,854	1,770
December	1,618	1,338
January 1924	2,060	2,102
February	2,384	1,738
March	1,507	1,555
	<hr/>	
	14,817	14,436
	<hr/>	
Equivalent	307,305 boxes	299,402 boxes.

Statement VII.—Note for the Tariff Board handed by the Tinplate Company of India, Limited, on the 8th July 1925.

We have touched lightly from time to time in our representations upon the various disadvantages from which our Company suffers as compared with the Welsh and American Tinplate Manufacturer, which reflect very appreciably upon our costs. We have not, however, gone into any detail in this connection, but the following extracts from a recent letter from our Agent at Golmuri will be of interest to the Board:—

“Comparison with Wales.

“You have asked us to explain where and why we cannot compete with Wales, with steel and other supplies as cheap and with wages no higher than Gary’s. The fact is that we do not obtain our sheet bar and other supplies as cheap.

(1) In the first place the price of sheet bar to the Welsh Works is reduced under their contracts with the supplying Works, by the return they get for their scrap. Our information is that scrap is returnable to the supplying Steel Works at a price of about 50 per cent. of the original cost. Taking the amount of scrap at 20 to 25 per cent. of the total steel and the realisable prices at one-half the cost of steel, Welsh Tinplate Works get their steel at one-eighth to one-tenth less cost than we do.

(2) Secondly, all our supplies that we get direct from Home are subject to buying and shipping charges, ocean freight and Indian Customs duty, which raises the price to us as much as 50 per cent. over the price to a Works in Wales. The following examples are taken from actual invoices:—

Materials.	Per	Cost Price.		Golmuri Cost.	
		Rs.	A. P.	Rs.	A. P.
Hot Neck Grease	Ton	241	10 4	361	10 6
Cold Poll Grease	”	357	8 4	526	8 6
Gear Grease	”	254	14 3	382	8 6
Palm Oil	”	602	7 9	767	4 6
Zinc Chloride	”	331	0 5	435	8 6
Pink Meal	”	26	2 6	66	1 6
Tanned Fleeces	Each.	7	2 4	8	14 6
Brasses, Hot Mills Top	”	172	4 0	183	3 0
” ” ” Bottom	”	223	0 0	239	8 6
” ” ” Side	”	78	12 0	86	8 0
” Cold Roll	”	211	10 0	271	4 3
Annealing Poxes Blaw Knox	”	1,016	0 0	1,245	3 0
Rolls	”	1,754	11 6	1,814	6 0

In addition to the extra price, we also have to bear the cost of shortages incurred in transit and in handling, which no Welsh Works have to bear to anything like the same extent.

(3) This is not the whole story, because not only do the stores which we import direct cost us more than they cost Welsh Works, but all the miscellaneous stores purchased in Calcutta that have originated in the United Kingdom or United States of America have borne just the same charges and in addition the Calcutta suppliers' profit. The excess price can probably be fairly accurately measured by turning each shilling into a rupee, which represents an increase of, say, 33 per cent. For example, white metal costs us Rs. 2 per lb. against a maximum of 1s. 11d. per lb. quoted in the English Trade papers.

Tin costs us more than to Wales; coal is actually cheaper but relatively much more expensive; and sulphuric acid at Rs. 90 is probably a third more expensive than in Wales. All told, I judge that Rs. 80,000 to Rs. 90,000 could be saved monthly if we were in Wales on our estimate of 2nd January for the cost of the materials for making 54,444 boxes—or, say, Re. 1-8 per box.

(4) Further we incur the indirect disadvantages consequent on being distant from the source of supply of essential materials. For example:—

- (a) Whenever we have occasion to try new equipment or stores we run the risk of heavy loss if they prove unsuitable. Thus we had every reason to anticipate that the . . . annealing pots would be satisfactory; but where a Welsh Works would have tried perhaps a dozen pots, we had to order much larger quantities to make a proper trial and their failure cost us in the end the value, not of 12 boxes, but of something like 125. The brasses which we bought . . . Company are another example.
- (b) If any Home stores prove of bad quality, it may be three months before we can replace them with good stores, and in the meantime we may be put to great consequential loss. The defective palm oil last summer is an instance.
- (c) We have to tie up a much larger amount of capital in Home stores. We have to estimate on keeping at least a three months' reserve as against a possible fortnight's or month's supply were we a Welsh Works.

(5) One further though a small point to be noted is that we supply to our Indian employees quite a lot of equipment that in Wales the operative has to find for himself, as for example, hand leathers and boots.

I think that the above points will satisfy you that we have many disadvantages to set against the advantage we possess of a higher return for our tinplate."

THE TINPLATE COMPANY OF INDIA, LIMITED.

B.—ORAL.

**Oral evidence of Messrs. A. K. FAULKNER, H. F. BATEMAN
and H. D. TOWNEND, recorded at Calcutta on
the 8th July 1925.**

President.—The principal point with which we are concerned is the change in price which has occurred since the original recommendations of the Board were sent in. We cannot quite ignore all other aspects of the case, but still in the main what we have got to do is to find out to what extent, owing to the fall in price, the protection given by the original Act has become inadequate, and to what extent it requires to be supplemented. I understand from the letters* which you addressed to the Government of India, of which we have got copies, the proposal which you have put forward is protection to the extent recommended by the Tariff Board in their second enquiry last November. Is that so?

Mr. Bateman.—We do not really consider that adequate on the figures we have got. At the time we put in this application we found that it would not give us sufficient revenue to pay even our Debenture holders. To that extent it was insufficient.

President.—If all the expectations raised by the proposals originally sanctioned by the legislature were fulfilled, even that would not entirely enable you to do that. The supplementary protection ought only to put you back where you would have been if the original expectations had been fulfilled.

Mr. Bateman.—Yes.

President.—The price of tinplate we took in our calculations in the original report was equivalent to the price on some date in August 1923 that you gave us.

Mr. Townend.—4th August 1923.

Mr. Bateman.—There were two figures given in the original representation, one April 7th and the other August 4th. Your calculations were based on the August one.

President.—What we said was that the proposed duty of Rs. 60 would give you Rs. 460 a ton. We assumed that Rs. 400 would be the price of tinplate without duty, and we proposed a duty of Rs. 60 a ton. That takes you up to Rs. 460. This Rs. 460 a ton is equivalent to Rs. 22·18 per box of 108 lbs. taking the standard box. On a strictly arithmetical basis, Rs. 460 a ton is equivalent to Rs. 22·18 per box landed at Shalimar.

Mr. Bateman.—Yes.

President.—Then deducting the duty and landing charges, Rs. 3·25, that takes you back to 18·93. Converting at 1s. 4d., the rate you were taking then, it takes you back to £1·5·3, and finally, deducting freight and insurance, which is £0·2·1, it gets back to £1·3·2, which is almost identical with the price before.

Mr. Bateman.—Yes.

President.—Then, in order to see the effect of the rise in the rupee sterling exchange, the only difference in the calculation is at the point where you convert from rupees into sterling (i.e., 1s. 6d. instead of 1s. 4d.) and the final result is—supposing the alteration in the exchange were the only change that had occurred—a reduction of price at Shalimar from Rs. 22·18 to ₹. 20·08 a box which is equivalent to Rs. 416·47 a ton.

*Statements I, II and III.

Mr. Bateman.—Yes.

President.—If we were to take into account the recent fall in the price of tinsplate in England, it would of course make a substantial difference. Taking the f.o.b. prices in Wales at £1-0-3 and freight and insurance £0-2-1

Mr. Bateman.—We have just got this wire from Home saying that one can buy f.o.b. Wales at 19s. $\frac{1}{2}$ d. This is a shilling down on the prices ruling a fortnight ago.

President.—According to my calculation, the landed price at Shalimar works out at Rs. 18-36. That would be equivalent to Rs. 380 a ton, I think, and would of course mean that the additional protection now required to give you Rs. 460 would be not Rs. 44 but Rs. 80.

Mr. Bateman.—Yes.

President.—I quite understand that when you wrote the representation in April you limited the claim to the proposal the Board made last November, but of course I also recognise that the fall in the sterling price since then does change the position substantially. But what do you attribute the fall in the sterling price to? I had calculations worked out from the Iron and Coal Trades Review quotations, taking the 20" x 14" box as the standard. Both in December and January it was still at £1-3-6, the average in February dropped to £1-2-11, in March to £1-2-1 and then in May it got down to £1-0-6. You have just told us that it has now gone down to 19 shillings.

Mr. Bateman.—Yes.

President.—What I was interested in was to ascertain what your view is as regards this fall in price?

Mr. Bateman.—It is due to the break down of the Stabilisation Committee at Home, which fixes selling prices. I understand they have had further meetings to re-form again but I think no arrangement has been come to.

President.—There are several points to consider about it. It would be correct to say, would it not, that on the whole the price of tinsplate has been controlled in the past by the manufacturers to a greater extent than other kinds of steel, and that would apply also, I think, to galvanised sheet. With these two commodities the selling combines have frequently been formed and have broken down at various periods.

Mr. Townend.—In one form or another there have been stabilization committees, as well as trade unions and that is the clue to the combination of the employers. Tinsplate is the most trade unionized business.

President.—I am not quite sure, but my impression is that Taussig, when describing the manufacture of tinsplate, has a good deal to say about the organization, and my impression is that he says that the custom of combining to regulate prices has taken rather a firm hold on the trade. Now, if these selling combines in the past have broken down and have always revived again, it is probable that the same thing will happen again. Of course one can never tell; things do not always happen as they have in the past, but it is more probable in the case of tinsplate than of most kinds of steel because there is not, I think, much Continental competition in tinsplate.

Mr. Bateman.—No, there is not so much.

President.—My point is this, that a combination of British manufacturers will regulate the price of tinsplate, but a similar combine would not be so effective in the case of other steel, because the Continental manufacturers will disregard the prices fixed.

Mr. Bateman.—Yes.

President.—The importance of that comes in this way. The proposals we make to the Government of India on this occasion will probably cover the period from the 1st October up to the time the Steel Industry (Protection) Act expires, and therefore we must take into account the possibility—or even, the probability—that before March 1926 a fresh combine will be formed and the price of tinsplate will go up. That is one point of some importance. There is this also, I think, that if the prices after the break up of the com-

bine had steadied, say, at 21 shillings, then they might have carried on for a bit, but a drop of 4 shillings, taking it down to 19 shillings a box, would be severely felt and the steepness of the fall might possibly expedite the re-formation of the Stabilisation Committee. What do you think of that?

Mr. Faulkner.—I think it quite possible that might occur. Prices are still likely to remain low, I think, even though they are stabilised. The price of steel is going down. If it is stabilised, instead of getting 23 shillings we may get 21 shillings.

Mr. Townend.—There is another factor. The stabilisation scheme unduly favoured the inefficient tinplate works and my general impression is that the break down of the scheme has been due to the inefficient works under-selling. The small works wanted more trade and dropped their prices illicitly with the consequence that the actual break came from the bigger concerns. It seems to me that the price, if it is stabilised, will be stabilised more on the basis of the least efficient concerns rather than on the general average. That is another argument in their favour. The stabilised prices would be lower.

President.—But there is this also in it that the price of sheet bars and the price of tinplates are apt to move in combination and I think you recognise that yourselves.

Mr. Bateman.—This applies to us, so far as the supplies of sheet bar which we obtain under the contract we have with the Tata Iron and Steel Company, but for extra supplies we won't get this benefit. Our average price for this year, for instance, is very much higher than the current rate for sheet bars.

President.—The price you have given in your letter* of April is Rs. 112. That is equivalent, as far as I can make out, to Rs. 6.72 to the box.

Mr. Bateman.—Yes.

President.—The figure we took in the original report was Rs. 8.21 a box; the difference is 1.49 a box. That is equivalent to a saving of Rs. 31 a ton.

Mr. Bateman.—Yes.

President.—The extra protection required, owing to the fall in the price of tinplate to 20 shillings, is Rs. 44, in addition to Rs. 60. But owing precisely to the same cause which caused the fall in price of tinplate you are saving Rs. 31 in the cost of sheet bars. Taking it that way from Rs. 80 you are back to Rs. 49 again, so that quite definitely the change is not all the one way. It has reduced your income but it has also reduced your costs partly.

Mr. Bateman.—That is so.

President.—If you were to go lower to the 19 shillings level you may find that there has been a fall in the price of sheet bars. But I don't think the price can steady at 19 shillings unless the price of sheet bars goes down.

Mr. Bateman.—Revising our figures on to-day's rate I calculate that the average price for our steel this year would be lower by Rs. 36 per 100 boxes as compared with the figure given in our letter of 30th April.* We then gave the price of Rs. 112 for our steel; this now becomes Rs. 106 because we have still got to take a certain amount of steel from Tatas under our agreement.

President.—Your average figure of Rs. 112 was arrived at on 28,000 tons at Rs. 107, 10,000 tons at Rs. 121-14-0, and 4,500 at Rs. 108.

Mr. Bateman.—20,000 of that works out at Rs. 101-8-0 and the remainder I take at to-day's rate of sheet bars at Rs. 90 a ton. We have got 28,000 tons under the agreement. We have already taken 20,000 and we have still got 8,000 tons to come between now and the end of the year.

President.—What I am considering is this. The period we have got to consider is the period from October onwards. Your average rate at which you have been able to buy is evidence as to the probable rate at which you

* Statement III.

will buy. I want to see just how the various prices and the saving on your sheet bars corresponds with the fall in the sterling price of tinplate. What would be the equivalent at 1s. 6d. of Rs. 90 a ton?

Mr. Faulkner.—£6-15-0.

President.—That is the quotation of 29th May. Did you not have any cabled quotation since then?

Mr. Faulkner.—No.

President.—If we assume that the price of tinplate was going to settle down at 20 shillings a box for the next two years, I think you may perhaps be justified in assuming that the price of tinplate bars would settle in the neighbourhood of £6-15-0.

Mr. Bateman.—That is so.

President.—Certainly in the past they have always tended to move together by negotiation between the manufacturers.

Mr. Bateman.—As far as this goes, we are at a disadvantage in that we have contracted at a fixed rupee price.

President.—Will that carry you on till 31st December or to some period in 1926?

Mr. Bateman.—Actually we are not committed to the whole of the contract. We can take the 8,000 tons or not.

President.—Do you find that you are actually working at the ratio of 6 tons of sheet bars to 100 boxes of tinplates?

Mr. Bateman.—42,000 tons of sheet bars to 6,00,000 boxes.

President.—42,000 tons for 6,00,000 boxes is a bit too high.

Mr. Bateman.—That allows for a little stock. Probably 40,000 tons will make 6,00,000 boxes tinplates.

President.—Do 6 tons of sheet bar make 100 boxes of tinplates?

Mr. Bateman.—20 boxes of tin plates weigh one ton.

President.—The point I am getting at is different. It is not the number of boxes to the ton, but the quantity of sheet bars you use in order to make these boxes.

Mr. Bateman.—In actual practice we use a little bit more.

President.—The reason why I ask is this. You were calculating on an output of 6,00,000 boxes and then I noticed your figure of 42,000 tons. That was the quantity of sheet bars you had contracted for. That would amount to as much as 7 tons of sheet bars to 100 boxes of tinplate.

Mr. Bateman.—Yes.

President.—The next point I want to come to is the question of prices. In your letter* of 13th January you said "The price which we show for imported tinplate is that which we are now receiving from the Burmah Oil Company, Limited. The price we are now obtaining for our tinplate is Rs. 18-15 against Rs. 19-20 in May last." And then again in your letter† of 30th April you say "price of imported tinplate including present duty of Rs. 60 per ton (i.e., our present average return on sales) is Rs. 1,830 per 100 boxes." The point is this. I want to know whether that is a price at a given moment or an average price covering a particular period and, if so, what period.

Mr. Bateman.—Shall I take the second letter?

President.—Whichever you like you can take first.

Mr. Bateman.—The price that we show there covers the period at which we were paying Rs. 107 for steel. We could not estimate an average for a year, as we could not know what prices were going to be. We took the then current price both for steel and for tinplates.

* Statement II.

† Statement III.

President.—For all tinsplate? Was that the price you would get for the whole of your output provided prices remained as they were at the time you wrote?

Mr. Bateman.—Yes.

President.—The reason why I ask is this. Between the 13th January and the 30th April there was some fall in the price of tinsplate, and the curious thing is that your average price for your whole output in April is a little higher than the average price you were getting from the Burmah Oil Company in January in spite of the decline in the sterling price. The standard box of tinsplate being quoted in England during January at £1-3-6, I could not make out how you received Rs. 18-15 a box from the Burmah Oil Company.

Mr. Bateman.—I think it must be a mistake. The average price was worked out on the same basis as in our second letter.

President.—Even then it is very curious.

Mr. Bateman.—I think that we were selling during the second period a larger proportion of 'wasters' to the Burmah Oil Company at prices higher than we were obtaining in the bazar.

President.—As there had been a distinct drop in the price of tinsplates, one would expect the April figure to be lower than the January figure. That is why I want to find out exactly how you got these figures.

Mr. Bateman.—I am not sure whether exchange did not affect the question.

President.—The chief difficulty is the statement made in the letter* of 13th January that you were getting from the Burmah Oil Company a price of Rs. 18-15 a box.

Mr. Bateman.—This was certainly a clerical error. The price of Rs. 18-15 represents the return we were obtaining from all sales.†

President.—There is a certain amount of information I would like to get about your prices and also the markets in which you dispose of your output. Up to date I take it the Burmah Oil Company have taken nearly all your production of prime tinsplates.

Mr. Bateman.—Entirely.

President.—Could you give me the quantities they have taken in 1924 and in the first six months of 1925?

Mr. Bateman.—In 1924 there were 334,739 boxes and for the first six months of this year 206,738.

President.—That is to the Burmah Oil Company?

Mr. Bateman.—Yes, prime plates.

President.—That is for six months?

Mr. Bateman.—Yes.

President.—What was the total of the balance left after you had disposed of the 'primes' and what about the other sorts? I am using the words "other sorts" merely in the sense of being not Primes.

* Statement II.

† The higher return Rs. 18-30 shewn for April as compared with Rs. 18-15 for January is due to following reasons:—

- (1) Exchange in April was lower than in January.
- (2) Sales of 'wasters' to the Burmah Oil Company, at higher than bazar rates were larger.
- (3) The drop in Home prices had only just commenced at the time we made out our figures which though given in our letter dated 30th April represented prices taken from Trade Papers some 3 weeks earlier.
- (4) Our April prices for sales made to the Burmah Oil Company, include an adjustment for packing charges (tin-linings and hooping) which were not included in our January figures. This about covers the drop in prices.

Mr. Bateman.—We sold to the Burmah Oil Company, for 1924, 26,230 and to the public approximately 52,080, and during 1925 for the first six months we sold to the Burmah Oil Company, 29,023, and to the bazar 33,092 and we also exported a small quantity.

President.—I want to know about the extent of your sales to the Burmah Oil Company, and to others. What is the average price for the sales to the Burmah Oil Company and to the other consumers?

Mr. Bateman.—I can give you them for 1924.

	Rs.	A.	P.
1924 Primes Burmah Oil Company at	20	9	0
1924 Wasters Burmah Oil Company at	17	15	0
1924 to the public	14	12	0

The average price for January to May to the Burmah Oil Company for Primes is Rs. 19-8-3 and for sales of Wasters to others Rs. 14-0-10.

President.—If you were manufacturing 6,00,000 boxes, do you think the Burmah Oil Company would take the whole of your output, or would it be necessary to try and extend your market in some other direction?

Mr. Bateman.—I think they could take all our Primes. They could not take it at the moment. They are very full of stock.

President.—Naturally there must be temporary fluctuations. On the average from year to year, could they take the whole of your output?

Mr. Bateman.—All the 'primes' from a total output of 6,00,000 boxes.

President.—The average price you get will depend to some extent on that?

Mr. Bateman.—Yes.

President.—Suppose you were compelled to extend your market in order to dispose of your output of 'primes,' I imagine that the natural arrangement would be to try and sell to the one of the other oil companies. If you tried to make a variety of sizes, it would cost you more, would it not?

Mr. Bateman.—Yes.

President.—It might occasionally be necessary to manufacture sizes other than the oil sizes, but it is not part of your permanent policy?

Mr. Bateman.—Not with our present output.

President.—Do you mean that you are satisfied that the works can actually produce more?

Mr. Bateman.—With moderate extensions.

Mr. Townsend.—There are no extensions to buildings necessary. Just one or two small things put in here and there.

President.—Do you mean an additional mill?

Mr. Bateman.—No, Sir. That is the whole point. Our mill is capable of a much bigger output than we have originally calculated. We proved it early this year.

President.—Supposing you could maintain for the whole of the year the output of the first three months, that would give you about 6,72,000 boxes?

Mr. Bateman.—That is right.

President.—If you could maintain that output your costs would come down?

Mr. Bateman.—Yes.

President.—And indeed, if the industry is ultimately to maintain itself without protection, I think you have got to come to that sooner or later.

Mr. Bateman.—I quite recognise that.

President.—One does not expect you to attain that all at once. But it may be an important aspect of the case later on.

Mr. Bateman.—At the present moment the position is that the Burmah Oil Company are full of tinplate. Therefore, we are trying to get the bazar

trade. We are also attempting to get other oil companies' business. We want to get the bigger business in Calcutta, tea packing, tobacco companies and such like.

President.—That would mean manufacturing fresh sizes?

Mr. Bateman.—Last month we started one new gauge.

President.—Does that mean a lot of expense in the way of new rolls?

Mr. Bateman.—It does not. It only complicates things considerably and you have got to keep separate the various gauges.

Mr. Townend.—I think the greatest difficulty in going on to miscellaneous orders is that many of the gauges you would be called upon to make are difficult to work technically. You need skilled rolling, skilled handling to a very much greater degree in the mills, and the degree of skill required is all the greater if you have got to change from week to week from one shift to the other and from gauge to gauge.

President.—If a man is working continuously on one gauge and is producing the same thing, he learns every motion, whereas if he is changed or if he is put on to another, he will find it difficult?

Mr. Townend.—That is specially so. We have trained our Indian workmen from nothing in the tinplate work to almost pucca rollers. They are only rollers in the case of gauges in which they have been trained. If they go to other gauges, there is trouble and somebody has to put it straight.

President.—Supposing you have got 6,00,000 boxes, i.e., 30,000 tons, how would that probably be divided between 'primes' and not 'primes'?

Mr. Bateman.—Roughly 80 per cent. and 20 per cent.

President.—You sell a certain amount of your other sorts to the Burmah Oil Company, but in the main it would be disposed of to others?

Mr. Bateman.—The Burmah Oil Company don't want them.

President.—Supposing your output of 'wasters' was 120,000 boxes, how much of that would go to the Burmah Oil Company?

Mr. Bateman.—I don't think we can dispose of more than half that quantity in the bazar of all sizes. Therefore, we would endeavour to get the Burmah Oil Company to take the surplus over.

President.—Apparently, as they pay a higher price, you have every inducement to induce them to take it over.

Mr. Townend.—How long they will continue to take it is another matter? Another reason why the Burmah Oil Company pays a higher price is they don't pay any freight.

President.—When you are selling to the Burmah Oil Company, who pays the freight from Jamshedpur to Shalimar?

Mr. Bateman.—We do.

President.—Therefore, one has got to take into account freight from Jamshedpur to Shalimar as part of your cost.

Mr. Bateman.—Yes.

President.—What does it come to per 100 boxes?

Mr. Bateman.—About 8 annas a box.

President.—I think you took it as eight annas in your evidence last time.

Mr. Bateman.—Yes.

President.—The difference between the price realised from the Burmah Oil Company and the price realised from other consumers is not due in any way to freight?

Mr. Bateman.—Not in the matter of freight to Shalimar.

President.—Is it mainly in the Calcutta bazar that you sell?

Mr. Bateman.—We sell in all the bazars, in Bombay, Karachi and Rangoon.

President.—These prices, are they nett at Jamshedpur?

Mr. Bateman.—Yes.

President.—From the price to the Burmah Oil Company have you deducted the freight?

Mr. Bateman.—That is also f.o.r. Jamshedpur.

President.—I am glad that point has come out. I rather thought that Rs. 20-9-0 which you got for 'primes' from the Burmah Oil Company in 1924 was rather low. But if there is 8 annas to be added for freight to Shalimar, it makes a distinct difference.

Mr. Bateman.—Quite.

President.—What is the tinplate you sell in the bazar used for? Do they make oil tins out of it?

Mr. Bateman.—To a certain extent. They make a hundred and one small things. They make out of tinplates, lamps, toys, etc.

President.—Supposing you were selling 'primes' in Calcutta to an oil company and 'wasters' in the bazar, what would probably be the difference in price in Calcutta between the two?

Mr. Bateman.—About Rs. 20 against Rs. 16-8.

President.—That is nearly a 20 per cent. difference in price.

Mr. Bateman.—It should be more or less the same difference as between Home prices. We do not get the full price out of the bazar. We have first got to find our market and stop the whole import of these gauges.

President.—If you could give me the total output up to March 1925 it would be useful.

Mr. Bateman.—This is for the official year ending March 1925:—

	Tons.
Our production	24,250
Imports	36,478
Roughly	<u>60,000</u>

President.—It is interesting to notice that the imports have not dropped to anything like the extent of your increase production.

Mr. Bateman.—I think there has been undoubtedly an increase in the demand for tinplate.

President.—Both in 1922-23 and 1923-24 the monthly rate of importation was about 3,600 tons. In 1924-25 it dropped to 3,000. In April and May this year it is nearly 3,200. It seems to be going up again.

Mr. Bateman.—Yes.

President.—In both of your letters you have raised the question about the removal of the duty on tin.

Mr. Bateman.—Yes.

President.—There are several points to be considered in connection with it. One is this. The imports of tin last year amounted to 2,600 tons. The present rate of duty is something over Rs. 500 a ton, and the Government of India would be giving up something over 13 lakhs of revenue.

Mr. Bateman.—Quite.

President.—They are asked to find very considerable sums for bounties on rolled steel, wagons and rails, the loss of revenue is heavy.

Mr. Bateman.—Could we not get special exemption?

President.—That would cost a good deal less.

Mr. Bateman.—Our figure of 450 tons is on the low side. We are using more tin. We have imported 280 tons for the half year. On that basis it would be 560 tons for a year. We have shown in our letter that the import duty on 450 tons would be roughly Rs. 2½ lakhs

President.—The figures you have just given seem to show that you are using substantially more tin than you expected.

Mr. Bateman.—We have been using more recently and we expect that figure to go down again. I think probably 450 tons would, however, be too optimistic.

President.—Supposing a special concession were given to your Company, instead of a general remission, the cost would be about Rs. 2½ lakhs a year?

Mr. Bateman.—Yes.

President.—You say in your letter of the 13th January* “ Our consumption of tin is in the neighbourhood of 450 tons per annum ” and “ the import duty on this quantity would amount to about Rs. 2,40,000. ” I divided Rs. 2,40,000 by 600,000 and the cost of the tin is then Rs. 0·4 a box.

Mr. Bateman.—We took 520,000 boxes and not 600,000.

President.—May I take it that the consumption of tin is at the rate of 450 tons for an output of 520,000 boxes?

Mr. Bateman.—Yes.

President.—So that your consumption for an output of 600,000 boxes is likely to be over 500 tons?

Mr. Faulkner.—Yes.

President.—In the evidence you gave in 1923 you said that the cost per ton of tin was Rs. 2,500 (c.i.f.). Now you say that your tin would cost you Rs. 4,100 c.i.f.

Mr. Bateman.—The price fluctuates in an extraordinary way.

President.—The price of Rs. 2,500 seems to be a little too low, whereas Rs. 4,100, which is given as the present price, seems to be too high. The only quotation I have got for 1923 is for October. It is just over £200 a ton. For May 1925 it is £255 a ton.

Mr. Bateman.—Yes.

President.—If you convert the 1923 October price at 1s. 4d., it comes to Rs. 3,000. If you convert the present price at 1s. 6d., it comes to Rs. 3,400.

Mr. Bateman.—Is that with the duty?

President.—It is without the duty.

Mr. Bateman.—We have included the Customs duty.

President.—Then it is not far out. Is there much difference between the price of tin in Calcutta and the sterling price quoted in the papers, making allowance for the exchange whatever it is?

Mr. Bateman.—There is not very much difference apart from the duty and freight.

President.—Where do you buy your tin from?

Mr. Bateman.—From Penang.

President.—Of course, then, the only difference there can be is the difference in the freight to Calcutta.

Mr. Bateman.—That is all.

President.—You are large purchasers and I take it you can get as good a price as anybody else in Penang?

Mr. Bateman.—Yes.

President.—But the Penang price will vary according to the world price?

Mr. Bateman.—Yes. The price has varied in the course of a few months to the extent of £100.

President.—Then there is another aspect of the case to be taken into account before the duty can be removed. A certain quantity of tin is produced in Burma at Amherst and Mergui, and a little in Tavoy.

Mr. Bateman.—I don't think that the tin is smelted in Burma.

President.—According to the records of the Geological Survey of India, Volume LV, Part 4, 1924, the districts of Amherst and Tavoy produce nothing but tin ore, but in 1922 Mergui produced 407 tons of tin ore and 217 tons of block tin.

Dr. Matthai.—What I gathered from some publication of the Geological Survey was this. The tin ore they get in Burma they are sending across to the Federated Malay States for treatment but a certain amount is smelted locally by primitive Chinese methods. Apparently, the Geological Survey think there is some possibility of developing a good tin industry in Burma.

President.—The point I want to bring to your attention is that, when a proposal is made that a certain duty should be removed, it would be unusual for any recommendation to be made until the persons, who might be affected, had an opportunity of saying what they might have to say. I do not know what kind of people the tin producers are.

Mr. Bateman.—Would not that come under the general question which has been referred to the Tariff Board recently?

President.—I think it is possible. If it appeared that there was a good chance of a development of tin production in India on a considerable scale, it would change the whole case, but if it were found that no such development is likely, then in the interests of industries it is certainly desirable that there should not be a duty on tin. But if the Government of India continue to give protection in the form of bounties, they will have to find the money, and that raises the financial difficulty. They will have to weigh one thing against another, and see which proposal is the most urgent. Before making up my mind about tin, I should have to consider whether it was not more urgent to remove the duty on spelter. We have got to consider in connection with tinsplate whether it is advisable that the supplementary protection should take the form of bounties or of an increase in the duties. I do not know whether you have formed any opinion on that subject.

Mr. Faulkner.—We would prefer an increase in the duty.

President.—I can understand that to some extent. If the duties on rolled steel had been raised last January, as was originally proposed by the Tariff Board, it would probably have been three or four months before the protection became fully effective owing to the accumulation of stock and so on. But the Tinsplate Company are in this fortunate position that you sell four-fifths of your output to a customer who pays a price fixed under a contract, and the higher duty would immediately become operative. Have you any other reason for preferring the duty?

Mr. Faulkner.—If the duty was increased, it would, as you said at the beginning of your remarks, probably extend during the time the Steel Industry (Protection) Act would be in force; whereas, as far as we know, if a bounty was given, that might not be possible.

President.—I hope I shall not be called upon to make an enquiry into steel every six months. I sincerely hope that there will be no other enquiry before the statutory enquiry, which must take place before the 31st March 1927. That will probably begin about this time next year. It cannot be postponed much later than that. You apprehend, I gather, that, if there were some great change in the condition leading to an increase in the price of tinsplate, the Finance Department would be more disposed to withdraw a bounty than to remove a duty. Therefore, your position would be stronger with a duty than with a bounty. That I think is in your mind?

Mr. Bateman.—Yes. I understand that the bounty, if given, would probably have to be limited to a certain figure as in the case of Tata's. From the report that has appeared in the newspapers, it appears that you have stated that the Legislative Assembly would not be disposed to sanction an unlimited bounty.

President.—That is a practical question. The Finance Department is not usually willing to incur an indefinite liability.

Mr. Bateman.—We have always got the idea of expanding. Therefore, we feel that it would be safer if there was a duty than if there was a bounty.

President.—An objection was made to us in our first enquiry that the Burmah Oil Company took so large a proportion of your output that other consumers, if they wished to buy, could not purchase their requirements from you. That was one of the reasons why I asked you for figures as to your sales to other consumers.

Mr. Bateman.—We have actually sold 1,500 tons or 33,000 boxes to the bazar for the half year.

President.—That would be about 3,000 tons a year?

Mr. Bateman.—We hope to exceed that considerably this year.

Mr. Townend.—The complaint that people cannot buy our plate has a flimsy foundation. They only have to pay for our plates as much as they have to pay for the Welsh plate.

President.—They complain that they are being burdened without doing any good to you. I do not know whether that honestly represented their view, but it was more or less what they said.

Mr. Bateman.—Yes, at the moment, but it would be easy to expand, and we could expand, if we could get the other consumers to purchase from us.

President.—Of course this has to be said. I may mention this against an increase in the duty that, apart from what you sell to the Burmah Oil Company, you have not any large quantity of tinplate to sell to others. On the other side, there is this to be said. If there is to be an increase in any of the duties on steel, tinplate is in a better position than most kinds of steel, because the duty is relatively low and it can be increased without raising it to an exorbitant rate *ad valorem*.

Mr. Bateman.—It is only 15 per cent.

President.—It was 15 per cent. at the time we recommended it, but owing to the fall in price it is close on 20 per cent. now.

Mr. Bateman.—Yes.

President.—But it can be raised substantially and still be lower than some of the other steel duties. There are two or three questions about bounties I want to ask you about. Supposing it was decided that protection should be given by means of a bounty, how would you propose that the amount should be assessed, and on what unit should it be calculated?

Mr. Bateman.—I have been considering that. You want to have a check on what you are paying. You can check it easily by the railway receipts for the stuff that is going out. The other alternative suggestion is that the bounty should be assessed on sheet bars. In that case it will have to be on a percentage basis.

President.—Supposing it was calculated on sheet bars, what percentage should it be?

Mr. Bateman.—Something like 75 per cent.

President.—One would want to know what your average consumption had been up to date.

Mr. Bateman.—Yes. We also sell a certain amount of black plate, which is not good enough for turning into tin plate. In our previous representation we suggested that whatever duty there was on tinplate, a proportionate duty should be levied on black plate.

President.—What is the total amount you disposed of last year as black plate?

Mr. Bateman.—Very little.

President.—If it is something negligible, we had better neglect it. I don't want to introduce complications for the sake of something which does not matter.

Mr. Bateman.—I don't think that it would be more than 200 or 300 tons a year. We are also considering this possibility of manufacturing black plate; We find that our hot mills are capable of doing more work than the rest of the Works.

President.—I am afraid we can hardly make a recommendation on a mere possibility, can we?

Mr. Bateman.—I am not sure what protection you have given to black sheets. If you are going to protect tinplates, black plate should also get protection.

President.—The protective duty on black sheet, as on tinplate, was originally fixed at about 15 per cent.?

Mr. Bateman.—We would like the black plate and tinplate to get proportionate protection,

President.—We will take that into consideration when we are considering the question of what is to be done about the various products of the Tata Iron and Steel Company. I don't think I could make much of the mere possibility that you might try and develop a larger output of black sheets.

Mr. Bateman.—The point that we raised in our last representation was that people might import these black plates and tin them here.

President.—That again has not materialised. If it comes to that, there is more likelihood of these plates being bought from Jamshedpur.

Mr. Bateman.—Yes. The simplest plan would be to calculate the bounty on despatches from Golmori.

President.—I don't think that there is any advantage in fixing the bounty on the consumption of sheet bar.

Mr. Bateman.—As Government has a Metallurgical Inspector at Jamshedpur, you could have an independent check at either end of our mill, i.e., by him on sheet bar or by the Railway on despatches of tinplates. The latter would probably be more simple.

President.—There is another point in connection with the bounty to which I had better draw your attention. Under your contract with the Burmah Oil Company, an increase in the duty increases the price which you receive, and, consequently, it becomes operative under your contract with the Tata Iron and Steel Company in increasing the profit or decreasing the loss. Is there any provision in the contract that a bounty should be taken into account as part of your profits or set-off against the expenditure? As far as I can judge, we have got to consider rather carefully what the precise legal position might be.

Mr. Bateman.—There is nothing like that.

President.—I understand that, owing to some disagreement about certain items of expenditure, the matter has been taken to the Court. The Court will, no doubt, decide the case on its merits. But before recommending a bounty I should like to understand the position. If a bounty would be taken into account in calculating profits and losses, so that both companies would benefit to the same extent, it would be reasonable that it should be the same amount as an additional protective duty, but if, on the other hand, the bounty is ignored in calculating profits and losses, and the Tinplate Company retain the whole of it, the amount should be only one half—Rs. 22 instead of Rs. 44 a ton. If it is really doubtful who will get the bounty, that is a strong argument against a bounty on tinplate.

Mr. Bateman.—I don't see how we can decide that question till we get a decision from the Courts. Tatas would probably say—yes; we should say—no.

President.—If that be the case, how can I say to the Government of India that I recommend a bounty of Rs. 44 a ton, but I can't say whether the whole of it will be retained by the Tinplate Company, or whether half of it will be passed on to the Iron and Steel Company. I was much interested to read in your letters how your actual costs compared with your estimates.

I do not propose to go deeply into that, for it is not a point relevant to the present enquiry, but in any case the figures you have given do not suggest that the original scheme requires modification. It is interesting to know that on the whole you have done somewhat better than you anticipated. From what country do you get the sheet bars that you are importing from Europe?

Mr. Bateman.—Belgium.

President.—What were the freight and landing charges on these bars imported from Europe?

Mr. Bateman.—The first lot was £6-7-6 f.o.b. Antwerp.

President.—What would be the equivalent price c.i.f. Calcutta?

Mr. Bateman.—£7-7-9. It costs us just over a pound between f.o.b. Antwerp and c.i.f. Calcutta. The cost delivered at the Works is just over Rs. 118 per ton.

President.—Adding 10 per cent. to the c.i.f. price you quoted the balance must be freight and landing charges.

Mr. Bateman.—Landing charge is a very small figure—Rs. 679 on the 247 tons. Then there is freight up to Tatanagar.

President.—I notice that according to your letter* of 30th April your works cost above nett metal are distinctly lower than you expected them to be. According to the figures we worked out at the time of the original report, the works cost above metal was Rs. 1,204 per 100 boxes, whereas it is now apparently 1,136, that is taking Rs. 672 from the figures you have given as your total works cost.

Mr. Bateman.—Yes.

President.—I understand that you are not getting anything like so large a credit for scrap as you expected.

Mr. Bateman.—No. Scrap is one of our greatest disadvantages. Whereas the tinplate makers at Home get about 50 per cent. of the value of Sheet Bar, we consider ourselves lucky if we get Rs. 18 to Rs. 20 a ton.

President.—Where does it go to?

Mr. Bateman.—We export to Italy now. We sell a little locally to the other steel companies.

President.—Since the price of tin has gone up, the reduction in the total cost above nett metal means that the other items must have gone down substantially, I suppose the two most important items will probably be coal and labour.

Mr. Bateman.—Coal is down substantially, and labour charges are down.

President.—Are you in a position to say whether you will be able to bring the labour charges down further?

Mr. Bateman.—We are not taking on new people, and we are increasing our production without increasing our staff. We have done more than we expected. As regards our imported labour we had about 87 men. We are now down to 82 and we have got a large number going on leave this year. In August we shall have 19 men on leave and we do not propose to replace these.

President.—As time goes on there ought to be a substantial reduction. That may be of great importance at the time of the enquiry next year to show that the industry will eventually be able to do without protection.

Mr. Bateman.—We can give a very good answer next year.

Dr. Matthai.—There is just one point I want to raise in connection with this question of duty as against a bounty. Do you think it is at all worth while taking into consideration the possible effect of a duty on the price of kerosene oil? I find that the inferior kind of oil supplied by the Burmah Oil Company finds its way into the poorest homes in villages, and I should like

to have some idea as to whether the duty on tinplate would make a difference in the price of oil.

Mr. Faulkner.—I should say no. I think if there was an increase in the price of oil to the people you refer to, it will be so very small that it should be negligible.

Dr. Matthai.—I gathered from Mr. Townend's evidence last time that one big use made of tins in this country is the use of second-hand kerosene oil tins in various ways and that again is used by the same class of people as those I have mentioned. Do you think that point is of any account? I am thinking of the Madras Presidency. What is the price of these tins?

Mr. Faulkner.—I should say it is worth 8 or 9 annas in Madras. It is a sort of customary price which does not vary.

Dr. Matthai.—There is another point on which I should like to get some idea. Last time when your Company was examined by the Board, the Metallurgical expert raised the question whether, under the tariff that you were proposing, you would not be able to get something like a practical monopoly in this country. At present you are producing somewhere about half of the total consumption in the country and it is possible for you to increase your output considerably. And it is very likely that if you got protection you would be able to account for the greater part of the needs of the country. Supposing any other person tries to enter this business, he would be at a disadvantage compared with you, for this reason that he may not have an economic unit of production with regard to the tinplate industry, unless he produces somewhere near 25,000 or 30,000 tons, and the probable result would be that you will have a practical monopoly of the business. What have you got to say to that?

Mr. Townend.—Monopoly is entirely governed by the ease with which we can get business to the extent Government would permit by the level at which it keeps its duty. Government can easily remedy that by reducing the duty.

President.—Do you see any particular inducement for further investment in the tinplate industry?

Mr. Bateman.—No.

President.—Under cover of protection it will be possible to expand these works until they approach something like the total consumption in India, and the prospects look a good deal more favourable than it looked then, but, of course, it would be exceedingly difficult to find capital for a considerable time to come.

Dr. Matthai.—One of the disadvantages of your industry in India is the fact that you have got to put in a great deal more for your floor space, lofty buildings and things of that sort. I notice the point because the same tendency can be seen in the sheet mills in other countries, that is to say, it really arises out of the conditions of the industry and not out of the conditions of the country.

Mr. Townend.—I cannot answer that point except by saying that in my visit to Wales last year I saw some of the works there under conditions which would be impossible in this country as regards smallness of buildings, restricted floor space, and absence of cooling arrangements to make the employees more comfortable. In America the tendency is there but we believe as a result of our experience out here that the American tinplate works will never be able to do what we have done.

President.—What Mr. Mather told us last year was that the galvanised sheet works were beginning to be built with more floor space and with better cooling arrangements. I have got one more point which arises out of this as to the effect of this duty on the manufacture of other shapes. Supposing additional duties were imposed, how far would it be possible to discriminate between other shapes and sizes?

Mr. Bateman.—I think it is extremely difficult to differentiate.

President.—Is it the difference in thickness or difference in dimension?

Mr. Bateman.—As far as sizes go, it would be easier to measure the length and breadth than the thickness.

President.—I raise the point because I think it might be conceivable that the point might be raised elsewhere, that an increase in the duty would make other shapes and sizes more expensive and that you would be making very small quantities of these, because you will be making mainly oil sizes. As regards the future is it likely that you will make much of these other shapes and sizes before the 31st March 1927?

Mr. Townend.—We cannot look forward and say what we will do in the future.

Mr. Bateman.—Our works people are very anxious to push ahead as quickly as they can. They are anxious to increase their production.

President.—From your point of view that would be necessary?

Mr. Bateman.—It may pay us rather than to take on the requirements of other oil companies outside Calcutta. It may not pay us to sell tinplate to the Standard Oil Company at Bombay, but it would be very unfortunate if we were practically prohibited from trying to make these other gauges because the duty was only on kerosene plate.

President.—One point I want to ask about is, have you noticed any reduction in the cost of sulphuric acid since the removal of the duty on sulphur?

Mr. Bateman.—Yes.

President.—The rise in exchange might affect that also. Is the price purely governed by competition amongst Indian manufacturers?

Mr. Townend.—It becomes so.

President.—I think the estimate you gave was that you would save about Rs. 35,000 a year if the duty on sulphur were removed, is that right?

Mr. Bateman.—Yes.

Witness No. 3.

THE BENGAL IRON COMPANY, LIMITED.

A.—WRITTEN.

Statement I.—Memorandum, dated 1st May 1925, submitted to the Government of India, Department of Commerce.

1. By a resolution of the Legislative Assembly, dated 26th January 1925, a bounty of Rs. 20 per ton was granted on 70 per cent. of the total weight of steel ingots manufactured in India from Indian pig iron during a twelve months' period, and I understand this bounty will probably be renewed. The total amount of the bounty is not to exceed Rs. 50,00,000 for the period (at present—about £375,000).

2. In addition the Government of India have recently increased the tariff on various classes of steel, from about 10 per cent. to 20 per cent. and even 30 per cent. thus increasing the tariff by about 10 per cent. to 20 per cent. over the tariff on pig iron.

3. The Tata Iron and Steel Company except for an insignificant amount produced by some of the Government workshops are the sole producers of steel, and their capacity, when the present extensions are completed, is estimated to be:—

	Tons.
Pig Iron capacity	600,000
Steel Ingot capacity	570,000

but as in the manufacture of steel a large quantity of steel scrap has to be used up, which might be taken at not less than 20 per cent. it leaves a surplus of about 140,000 tons of pig iron per annum, assuming that the whole plant was working fully.

4. To obtain the maximum bounty of Rs. 50,00,000 the Tata Company would have to produce about 357,000 tons of steel ingots per annum (70 per cent. of which would be 250,000 tons). For the year ended 31st March 1924 the Tata Company's production of pig iron is given as 442,571 tons and the production of steel ingots as 235,038 tons, leaving a surplus of 207,533 tons of pig iron.

5. Whatever be the amount of bounty earned it is obvious that it would enable Tatas, should they so wish, to sell pig iron at cheap rates, since the bounty might be allocated in their costs to both steel and pig iron. Added to this, the effect of the high protective tariff on steel would enable them to sell pig iron under much more favourable conditions than other Indian producers of pig iron now have.

6. The Tata Company are now offering pig iron at extremely low rates and their competitors are placed at a serious disadvantage. During 1924 they exported to Japan alone nearly 80,000 tons of pig iron, in competition with two other pig iron producing companies (The Bengal Iron Company and the Indian Iron and Steel Company).

7. The Bengal Iron Company have had to shut down two of their four furnaces, also two batteries of coke ovens, representing a loss of output of approximately 75,000 tons of pig iron, and a fifth furnace which has just been re-built cannot be brought into operation. About 1,500 employes have already been dismissed and further dismissal may soon have to be made.

8. It will be seen that if the Tata Company allocates the bounty to its pig iron department it gives it an advantage of about 17s. 0d. a ton on the 1924 output. Unless, therefore, the Indian Government intervene, they are in a position to compete very unfairly with other companies producing pig iron

in India, and possibly with the result that the latter might have to close down. In common fairness I think that where an exceptional tariff and/or a bounty is given to a steel maker he should be precluded from marketing pig iron, or they should be extended to pig iron.

9. It may be noted that the Bengal Iron and Steel Company, which was the parent of the Bengal Iron Company, had to close its steel works at heavy loss about 20 years ago, owing to absence of Government support in the matter of orders.

Statement II.—Representation dated 9th July 1925.

Following upon the resolution of the Government of India in the Commerce Department, dated 18th June 1925, directing Tariff Board to re-examine the question of the protection required by the Steel Industry (The Tata Iron and Steel Company), we beg to protest against any increase of the duty on steel and/or the continuance of bounties to the Tata Iron and Steel Company.

Our protest is based on the following statement:—

1. By a Resolution of the Legislative Assembly, dated 26th January 1925, a bounty of Rs. 20 per ton was granted on 70 per cent. of the total weight of steel ingots manufactured in India from Indian pig iron during a twelve months' period, and we understand that the Tata Iron and Steel Company are asking for this to be renewed. The total amount of the bounty is not to exceed Rs. 50,00,000 for the period (at present about £375,000 per annum).

2. In addition the Government of India have recently increased the tariff on various classes of steel from about 10 per cent. to 20 per cent. and even 30 per cent.

3. The Tata Iron and Steel Company, except for an insignificant amount produced by some of the Government workshops, are the sole producers of steel, and their capacity, when the present extensions are completed, is estimated to be:—

	Tons.
Pig iron capacity	600,000
Steel ingot capacity	570,000

but as in the manufacture of steel a large quantity of steel scrap has to be used up, which might be taken at not less than 20 per cent., it leaves a surplus of about 140,000 tons of pig iron per annum, assuming that the whole plant is working fully.

4. To obtain the maximum bounty of Rs. 50,00,000 the Tata Company would have to produce about 357,000 tons of steel ingots per annum (70 per cent. of which would be 250,000 tons). For the year ended 31st March 1924 the Tata Company's production of pig iron is given as 442,571 tons and the production of steel ingots as 235,038 tons, leaving surplus of 207,533 tons of pig iron.

5. Whatever be the amount of bounty earned it is obvious that it would enable Tatas, should they so wish, to sell pig iron at cheap rates, since the bounty might be allocated in their costs to both steel and pig iron. Added to this, the effect of the high protective tariff on steel would enable them to sell pig iron under much more favourable conditions than other Indian producers of pig iron now have.

6. The Tata Company are now offering pig iron at extremely low rates, and their competitors are placed at a serious disadvantage. During 1924 they exported to Japan alone nearly 80,000 tons of pig iron, in competition with the two other pig iron producing companies. (The Bengal Iron Company and the Indian Iron and Steel Company).

7. The Bengal Iron Company have had to shut down four of their five furnaces, also four batteries of coke ovens, representing a loss of output of approximately 150,000 tons of pig iron, and a fifth furnace which has just been rebuilt cannot be brought into operation. About 5,500 employees have already been dismissed, and further dismissals may soon have to be made.

8. It will be seen that if the Tata Company allocates the bounty to its pig iron department it gives it an advantage of about 17s. a ton on the 1924 output. Unless, therefore, the Indian Government intervene, they are in a position to compete very unfairly with other companies producing pig iron in India, with the result that the Bengal Iron Company have had to close down their Blast Furnace plant. In common fairness we think that where an exceptional tariff and/or bounty is given to a steel maker he should be precluded from marketing pig iron, or the bounties should be extended to pig iron manufacturers.

Our protest is not one against the relative merits between Free Trade and Protection but against the unfair advantage given to one company at the expense of the others. The conditions under which the bounties are granted, from year to year, precludes the possibility of any other Company erecting a steel plant, consequently it is creating a veritable monopoly for the Tata Company. This position the Tariff Board wish to avoid *vide* their letter to us dated the 27th September 1923 in which they say "The question is of great importance in connection with the enquiries the Board are now carrying on, for, so long as the manufacture of steel is carried on in India by a single firm only the danger of monopoly prices always exists." Should the Government of India decide to fix the tariff and bounties for a period of, say, 10 years and that other companies were attracted to start manufacturing steel, the position, we think, would be that a new company having erected an economical steel unit would together with the Tata production produce more steel than India is capable of absorbing and the position in a few years time would be similar to that which pertains to-day, *i.e.*, the companies could not succeed unless further and larger bounties were granted.

The position of the Tata Company, as we understand it, is that the plant is capable of dealing in the first (pig iron) and last (rolling mills) stages of manufacture with greater quantities than the middle stage (ingots) consequently until they can find the necessary capital to extend the Duplex plant they must always have a larger surplus of iron to sell at any price and it is the fact that they must get rid of this iron that affects our interests as producers of pig iron.

We put forward the suggestion that it is possible for the Tata Company to manufacture steel at a profit without bounties or an increase of tariff and we again submit for your consideration that the Government should advance the Tata Company (in the form of a Debenture Loan) sufficient capital to enable them to extend their Duplex plant but on the condition that the Tata Company agree to abstain from marketing more than 12 thousand tons of pig iron per annum. We think under this scheme the Government would find it much cheaper in the end than the continual granting of bounties.

Statement III.—Supplementary Statement, dated the 16th July 1925.

We have to thank you for your letter No. 357, dated 11th July. We beg to state that the Bengal Iron Company contend that because of tariffs and bounties Tata Company have forced them to close their Blast Furnace Plant and this is their only contention. Should the Tariff Board recommend to Government that the Tata Company be granted no further bounties or recommend the granting of bounties only with a provision that the Tata Company will abstain from putting on the market more than 12,000 tons of pig iron per annum, the Bengal Iron Company will then undertake to re-open its Blast Furnace Plant. This we think is a better answer to your letter than any figures or arguments.

The contention of the Bengal Iron Company is proved by the statements made to the Tariff Board by the Tata Company. We give the following example:—

The Tata Company have told the Tariff Board that their works costs of pig iron is Rs. 30 per ton. The Tariff Board's estimate of the on costs to be added to the works costs is Rs. 8 per ton. Total Rs. 38 per ton. Further Tatas have told the Tariff Board that they sold pig iron to Japan at Rs. 35 per ton in January-February 1925. This is equal to a loss of Rs. 3 per ton. Tatas sold 186,700 tons of surplus iron last year, which is equivalent to a loss of Rs. 5,60,100. This should be the beginning and the end of our case but as the Tariff Board wish it we will answer their letter in full.

We have not stated that the protective duties and bounties were responsible for the drop in the price of pig iron. What we said was that the Tata Company are in a position to sell iron at less than production cost as per the above statement.

The contention of the Bengal Iron Company is that the Jamshedpur works would never be shut down. There are many other ways of preventing the closing down of these works besides protection and bounties and the Bengal Iron Company submit the following scheme prepared by the Chairman of the Bengal Iron Company, which was originally forwarded to the President of the Tariff Board.

In reference to mine of 6th December of which I have not yet had an acknowledgment, I have been discussing with our Assistant Managing Director, Mr. FitzPatrick, the question of the Tariff on steel. It has to be remembered that last year a number of the large Steel Companies in England paid no dividend. Nearly all the French Steel Companies incurred heavy losses. The German Companies on the other hand owing to inflated exchange paid large dividends but in the case of Krupps who paid the largest dividend on record, the total net profit, at the then current rate of exchange was under £5,000. The American Companies have been doing better but this is due to the considerable internal trade they have.

The position therefore of the steel trade in India is only a part of what is going on elsewhere. I think, however, there is no doubt, it is very important for the Government of India to maintain steel production and as in the case of establishing railways, Government have assisted private Companies directly; I have developed a suggestion of Mr. FitzPatrick's which I venture to think might meet the case without in the end any loss to the Government. I have not the exact figures of the present position of the Tata Company but roughly it is this: they have, I think about four million pounds of first debentures, half of which are issued firmly, and half are pledged. They also have I think about a million pounds of floating debt. The suggestion is:—

- (1) That the Government guarantee the interest on the first debentures at a rate of say 5 per cent. or slightly more. The floating debt to be converted into a second debenture on which a similar rate to be guaranteed by the Government. The debenture holders to suspend the claim for redemption during whatever term is fixed for the guarantee of interest.
- (2) That the Tata Company's preference share-holders agree to give up the cumulative rights to dividends and only rank for dividends on actual profits in each year.
- (3) That the Company should create and issue to the Government as fully paid in consideration for their guarantee such number of either ordinary or deferred shares or both as may be agreed.

In this way the risk of the Government would be the amount of any deficiency on the earnings available for debenture interests in each year, which I think, with reasonable management, should never be a large amount, if any thing. The Government should of course be represented on the Board by an expert, as is usual in the case of Railway Companies and if times

become more normal, I have no doubt, even if the Government lost a little in the start, they would recoup themselves in the end by holding the deferred or ordinary shares and might repeat a similar success to the British Government's purchases of the Suez Canal shares.

In pre-war time I believe Tatas deferred shares were at very high figures.

A scheme of this kind escapes all the disadvantages and controversies that would be sure to rise from a heavy Tariff and the position of the Government will not be pleasant if the world steel trade takes an upward bound after they had imposed a tax and the Tata Company might make enormous profits at the expense of the country. I notice a reference has been made to this Company's failure to make steel. Had the Government given anything like the support, it eventually did to the Tata Company, to this Company, I think it would have been making steel to this day at a profit, but from memory the total orders received from the Government in the first year, were less than a thousand tons in weight and consisted of about 60 different sections and had to be delivered at the lowest market rate less 5 per cent. and we never got one single order from the Government of such a size that any Steel Company would specially put the rolls in for, without asking a sum down for changing rolls. Of course, I admit that the Company's start in steel was perhaps a little before its time and experimental.

We are quite prepared to meet any competition of the Tata Company as manufacturers of pig iron only, run for the benefit of the Debenture holders. We will take for example the works costs at Rs. 30 per ton, but you will readily realise that working only half the capacity of the plant, as suggested by you, the production cost would be much more than at present; however, as we have no other figures to work on we will take Rs. 30. We find on examining the Balance Sheet that the last year's output of pig iron was 552,000 tons, half of this would be 276,000 tons (although in the evidence the two new large furnaces are only rated as having a capacity of 107,000 tons per annum but again we will take the figures which we have). The Debenture and Mortgage interest amount to a sum of no less than Rs. 19 per ton on 276,000 tons (without allowing any depreciation or debenture redemption fund). Therefore the cost of iron would be Rs. 49 per ton. The Bengal Iron Company would be very glad to accept an order for 150,000 tons at Rs. 10 less than this price, therefore the quantity of pig iron which the Tata Company could put on the market solely as pig iron manufacturers would be *nil*.

We are not complaining of the present day prices. The fact that they are low must be accepted in the cycle of trade. Our complaint is that the Tata Company have sold iron at less than the cost of Manufacture. No Company can continue indefinitely selling at a loss. Therefore, without protection and bounties the Tata Company must sell at prices in fair competition with the other producers.

Although the Legislature have decided that the Tata Company should have protection it did not do so with a view of ruining the pig iron industry and we quote a passage taken from paragraph 142 of your first Report:—
“Finally, and this is the gravest consequence of all, the shock to public confidence in the future of Indian Industries would be extreme” (if the Tata plant shut down). This observation should apply equally to the Bengal Iron Company. It is on the recommendation of the Tariff Board that the Government will be guided in the question of whether this is a case of undue severity on any one industry [see paragraph 143 (20) First Report]. The following is a letter addressed to the Government of India, Commerce Department, showing that the Bengal Iron Company have been forced to close down its Blast Furnace Plant:—

We beg to refer you to our Chairman Mr. MacLellan's interview with you in Delhi last February and to the conversation which he had with you on the subject of Iron and Steel trade in India.

As forecasted by him at the time owing to the effect of bounties given to an opposition Company we have found ourselves unable to

meet the competition in the Pig Iron market and have accordingly been forced to close down all our blast furnaces which has necessitated the dismissal from our staff of 34 Europeans and 5,500 Indian workmen.

This is in our opinion a most important point as on it rests the future policy of the Government of India *vis a vis* foreign capital. The policy which we would like to have defined is whether an old established (50 years) and well organised Sterling Company is to be ruined for the benefit of an extravagantly run Steel Company with a rupee Capital?

Any Company, if they can, will endeavour to drive a competitor out of the market, and we have every reason to believe that this has been the policy of the Tata Company for some time past. See their Statement XXII, Tariff Board Evidence, Volume I, page 139, where it is shown that the Tata Company made sales at Rs. 27 less than the wholesale market price when the contract was made.

We agree with the Tariff Board that if the profits on steel are small or non-existent then unremunerative prices for pig iron can result in additional losses as was in fact the case of the Tata Company last year. The protection given was ineffective and without the bounty the Company made a loss.

We do not agree that protection on steel in India has led to a unduly low price for pig iron. The price of pig iron in India is fixed by the price the importer will pay for exported Indian pig iron. The price is also governed by the cost of freight. Last year the Tata Company were able to bid higher price than the other manufacturers for a limited freight space.

We maintain that the Tariff and Bounties give the Tata Company an unfair advantage in the export trade. We have no difficulty in seeing how the Tata Company benefit by selling pig iron and steel at a loss. They receive a bounty of 50 lakhs from the Government to cover these losses.

The fact that the Board will take into account the actual position at Jamshedpur during the present year as regards costs and selling prices is noted with satisfaction. The Tariff Board will find a considerable difference between the present day figures and the figures previously submitted to them.

We have not complained of the low level of the prices of pig iron but only of the fact that the Tata Company are selling at less than cost and the cost of selling statements made by the Tata Company to the Tariff Board justify paragraph 6 of our written statement.

As to whether the prices of pig iron in India and for export are below the level at which the manufacturer can earn a profit depends on what can be called a profit. If the interest on preference shares is debited to cost then the average present prices are below the cost level of manufacturers with preference capital. The average price of Indian pig iron is Rs. 39-8-0 per ton f. o. b. Calcutta and from this must be deducted Railway Freight to Docks and loading charges Rs. 2-12-0 and Rs. 2-4-0 respectively; total Rs. 5 per ton. This leaves Rs. 34-8-0 net at Works. Our average all in cost is Rs. 31-14-7. We have £500,000 $7\frac{1}{2}$ per cent. preference shares which on an output of 200,000 tons per annum equals to Rs. 2-13-0 per ton; total cost of Rs. 34-11-7 per ton of iron. It will be seen that the present day prices, while not constituting an actual loss does not permit of sufficient margin of profit to pay a dividend on the preference shares. It will be seen that in selling with such a small margin how great the advantage is to the Company with a bounty.

The following is a statement of our costs by the general manager:—

Re Pig Iron Production costs.

In further reference to the conversations I have had last month with you and with Mr. Oswald Martin while it is very difficult to state correctly to the exact anna, or perhaps even the exact rupee, the effect the repairs and modifications required to our blast furnace plant, would have on the cost

of production of pig iron yet one can arrive at a reasonably definite basis from our records since the beginning of the year. For your information I tabulate these as hereunder:—

Raw materials.—Ignoring all departmental profits and taking raw materials at bed rock cost we get the following figures:—

	Rs. A. P.		
Iron ore	3	14	5 per ton f.o.r. works.
Limestone	4	3	2 " " " "
*Coal	5	0	0 " " " "

Comparing results from the new and the old plants we find we get the following raw material consumptions per ton of pig iron made:—

	NEW PLANT.		OLD PLANT.	
	Consumption.	Cost.	Consumption.	Cost.
	cwts.	Rs. A. P.	cwts.	Rs. A. P.
Ore	29-12	5 10 10	29-32	5 11 6
Coke	29-50	7 2 10	25-00	8 12 0
Flux	6-57	1 6 1	8-54	1 12 8
TOTAL . . . . .	...	14 3 9	...	16 4 2

N.B.—The above figures are on foundry iron production. If we were making basic (low silicon) iron for steel consumption would be lower, outputs higher and costs reduced correspondingly. They would be at least Rs. 2 per ton lower.

Manufacturing charges.—Taking other works' charges we have the following per ton of iron made:—

	New p'ant. Rs. A. P.	O'd p'ant. Rs. A. P.
Wages	2 3 6	2 14 3
†Repairs, etc.	4 10 10	4 12 7
	6 14 4	7 10 10

Services.—All services and charges in connection with the Company's mines and collieries are debited to pig iron cost account.

These charges include:—

- (a) London Office and Consulting Engineer's expenses.
- (b) Interest on debenture loan.
- (c) Depreciation.
- (d) Managing Agents' Commissions.

* This is equivalent to coke from our own plant at Rs. 7 per ton.

† Repairs, etc.—This item is made up of the following:—Steam power, Stores, Sand (for furnace casting beds), Establishment, Repairs to plant, Machinery, Buildings, Locomotives, Wagons, Slag ladles, Lines, Local rates and taxes and general establishment.

They amount to Rs. 1,54,670 per month or Rs. 18,56,040 per annum. On an annual outturn of 2,00,000 tons they represent a charge of Rs. 9-4-5 per ton of pig iron made.

It will be seen from the foregoing that our absolute rock bottom cost of production for pig iron is as follows:—

	New plant.	O'd plant.
	Rs. A. P.	Rs. A. P.
Raw materials	14 3 9	16 4 2
Wages, etc.	6 14 4	7 10 10
Total of works charges	<u>21 2 1</u>	<u>23 15 0</u>
Services	9 4 5	9 4 5
Total cost	<u>30 6 6</u>	<u>33 3 5</u>

Taking equal outputs from the old and the new plants our average cost of pig iron is Rs. 31-14-7 per ton.

These costs are less than the Tata Company's. Our costs include interest, depreciation, and all other charges, Mines collieries, etc., etc.

We agree that export on a very substantial scale is necessary. It must also be considered that the Export market is limited by an important factor, i.e., the cost of freight from Calcutta which as we said before gives a great advantage to the Company with a Bounty.

The Indian Iron and Steel Company's output last year was 1,79,990 tons; not 3,00,000 as you suggest.

The increase of production may or may not affect the price of pig iron which like everything is subject to the law of supply and demand. An example of this is found in the Tariff Board's First Report, paragraph 15, which shows that in the year 1921-22 (before the Indian Iron and Steel Company started operation) the Tata Company sold 104,270 tons of pig iron as against 39,541 tons sold in 1916-17. The price for the lower output was Rs. 65 per ton and for the larger output Rs. 95 per ton, an increase of 164 per cent. in production and 53 per cent. in price, which of course, is contrary to the premise in your letter under reply.

When the Tata Company started out on a five furnace campaign, they had, and so had the Tariff Board, every reason to believe that the prices would go up as a result of the increased tariff on steel. The prices did not go up and the natural result was that Tatas found it impossible to dispose of their iron, and accumulated a stock of 134,000 tons which they were not prepared to sell at a loss, so they curtailed their output to four furnaces. This goes to prove further that as soon as the bounties were granted the Tata Company started clearing stocks at a loss of Rs. 3 per ton to Japan. Mr. Peterson in his written statement asked that the bounty might be increased to 60 lakhs, *vide* "Statesman" of 7th July 1925 and says "The Company has at present one Blast Furnace which is idle because of the production of pig iron on a large scale has become unprofitable as this can only be disposed of by export. The increase in the Steel Capacity of the Works would immediately enable the Company to blow in the fifth Furnace and to use the pig iron produced from it for the manufacture of Steel also the increased production would very greatly reduce the overhead charges on Steel."

It is therefore intended to produce 1,50,000 tons more steel. The figures in Tata's last year's Balance Sheet show that the surplus iron produced over steel ingots was 1,82,000 tons=17 per cent.

In view of this you cannot blame the Bengal Iron Company if they read this statement as meaning "as soon as we receive the sixty lakhs we will blow in another furnace. We do not require the iron but it will bring down our costs of production and we will sell it for what it will fetch."

We have never said that the Tata Company were responsible for the fall in prices. The fall in prices are governed by the Export market but we maintain that because of the bounty the Tata Company are in a position to undersell in that market as they are able and do sell at less than cost.

At the time mentioned in your letter the Bengal Iron Company also carried large stocks and the necessity of reducing them was just as paramount. But without the probability of a cash grant from Government they could not face the loss as the Tata Company were able to do.

The Statement XXII will show that there has been a deliberate policy of price cutting by the Tata Company ever since 1916 and we attribute, in part, the Tata Company's financial position to this policy. We do not think there could ever have been a necessity to cut prices of iron to the extent of Rs. 27 per ton.

Our cost statement attached herewith will dispel all suggestion that there is any difference as regards costs in favour of the Tata Company. Two-thirds of the Bengal Iron Company's output can be made by the new furnaces. It is a matter of opinion as to which type of furnace is best suited for the production of foundry iron. The fact that the small capacity furnaces have not been modernised has proved an advantage under present conditions when there is a necessity to curtail production. We find that the price at which the old plant stands in our books gives us a great advantage over the more expensive modern plant. Large furnaces are not economical unless working at full outputs. We think that the question of the policy of modifying the plant can be left in the hand of the directors of a company which has, until the event of protection and bounties, shown a very successful record.

The figures of 30,000 tons per annum as surplus iron for the Tata Company we consider too high; we suggest 12,000 tons. The safeguard against the other two manufacturers combining to raise the price of pig iron in India is the same which prevents the three Companies from doing so now, *i.e.*, the price of Indian pig iron is governed by the export price to foreign countries. If the price of iron in India is higher than the price sold to the importing country, that country can impose an anti-dumping duty against Indian pig iron. The following is a copy of a letter from the American Consul:—

“In reply to your letter of the 13th instant regarding the tariff law with reference to the import duty on bounty fed pig iron, I quote on the attached sheet a copy of the Tariff Act of 1922, Section 303.”

Articles 764.—Countervailing duties by reason of foreign export bounty.

Whenever any country, dependency, colony, province, or other political sub-division of Government, person partnership, association cartel, or corporation shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political sub-division of Government, and such article or merchandise be subject to duty, then upon the importation of any such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise, there shall be levied and paid, in all such cases, in addition to the duties otherwise imposed by the Tariff Act of 1922, an additional duty equal to the net amount of such bounty or grant, however, the same be paid or bestowed. The net amount of such bounties or grants will be from time to time ascertained and published by the department, with instructions for the collection of the countervailing duties.

The contention of the Bengal Iron Company is that without any protection and/or bounties it is possible to manufacture iron and steel at a profit

at Jamshedpur, but as long as Government are prepared to support Tata's by protection and bounties it is unlikely that the Company will make any endeavour to put its business on a sound financial basis.

We have proved by figures submitted by Mr. Peterson and by the Tariff Board that the Tata Company have sold and are selling pig iron at less than cost.

We are not in a position to state more than we have already stated as regards the Indian market as our sales have been reduced to practically nothing since the advent of the bounties and tariffs. The Indian Iron and Steel Company's local sales are also negligible, because the Tata Company are selling at less than cost.

Whether or not it will be advisable to publish the foregoing statement we must leave to the judgment of the Tariff Board. Should the Tariff Board consider that publicity is necessary (see paragraph 41, Tariff Board Report) we have no objection to the Board making full use of the statement but at the same time we are forced to point out that the American Consul is watching the proceedings of this enquiry with great interest and should anything in this statement give information that might eventually lead to the imposition of a countervailing duty on Indian pig iron import into the United States, must be carefully considered as by far the largest bulk of the Indian Export Pig Iron is to the United States.

THE BENGAL IRON COMPANY, LIMITED.

B.—ORAL.

Evidence of Mr. H. FITZPATRICK recorded at Calcutta on the
10th July 1925.

President.—You have put in this representation, Mr. FitzPatrick, on behalf of the Bengal Iron Company?

Mr. FitzPatrick.—Yes.

President.—The point of view from which the Company approach the case is this, that they consider the protection of steel is adverse to their interest as manufacturers of pig iron.

Mr. FitzPatrick.—Yes.

President.—There is one general comment to be made about the concluding paragraph of your representation, for it goes a little beyond the scope of the reference made to us on this occasion. It is quite open to you to suggest in this enquiry that the bounty should not be continued, or that it should only be continued subject to certain conditions, but nothing beyond that. Any proposal, for instance, that the question whether steel should be protected or not is beyond the scope of our enquiry.

Mr. FitzPatrick.—We have put that in order that our criticism may not be destructive, but constructive. We have endeavoured to point out a method whereby you may arrive at a solution equally fair to Tata's and ourselves.

President.—I don't think you have followed me. Whatever its merits, the suggestion you have made with regard to the advance of capital to the Tata Iron and Steel Company, in so far as it is associated with a proposal for the abolition of the protective duties, cannot be considered by us at all. The legislature and the Government of India have decided that the duties should operate for a period of three years, and the question referred to us is whether that protection should be supplemented, and if so, to what extent and in what form. We cannot consider any proposal for reducing the duties or abolishing the duties. That is outside our scope. Would it be fair to take this suggestion rather as incidental than as a substantive part of your representation?

Mr. FitzPatrick.—No, because last time when I was examined you asked me to suggest how you could save the iron trade in India, as without protection Tatas must close, and to my protest to-day you say "unless we give Tatas the further Rs. 50 or 60 lakhs they are asking for they will close." We protest and say "No they need not close" and we put the above suggestion.

President.—What we have got to consider is whether the bounty should be continued. The question of the continuance of protective duties is not before us.

Mr. FitzPatrick.—That would come in if the bounties were granted because you would have to collect that from the same source. The concluding part of the reference says that this increase would have to be by bounties rather than by an increased tariff.

President.—I want to make it quite clear that the continuance of the existing duties is not in issue.

Mr. FitzPatrick.—It is merely a question of giving them Rs. 50 or 60 lakhs for the forthcoming year.

President.—The first passage in your representation I should like to refer to is paragraph 3 in which you say that the pig iron capacity of the Tata Iron and Steel Company is 600,000 tons and ingot capacity 570,000 tons, but

since the scrap might be taken at 20 per cent., therefore the Company ought to have a surplus of about 140,000 tons of pig iron. I don't know if you had in mind a passage in our first Report in which it was stated that the nett consumption of pig iron was about 11 tons for every 10 tons of finished steel, that is to say, the wastage between pig iron and finished steel was about 10 per cent.

Mr. FitzPatrick.—Yes.

President.—I think, if that passage is taken as it stands, it may be misleading as to what was expected of the Tata Iron and Steel Company. If the Tata Iron and Steel Company's plant consisted entirely of open hearth furnaces very likely your proportion would be approximately right. But, in fact, when they attain full production they will be getting 360,000 tons of steel ingots from the duplex plant as against only 210,000 tons from the open hearth plant. I take it you know that the duplex process involves the use of Bessemer converters where scrap cannot be used, and you have to depend entirely on hot metal. Yesterday afternoon I thought it might be useful to find out how matters stood. The Company has placed at our disposal their cost sheets for the last five months from which the actual practice can be observed.

Mr. FitzPatrick.—You will remember in the first examination I suggested that this position might arise whereby Tatas might produce more iron than they required. You said they would have a surplus of 30,000 tons per annum, but we find that it is 140,000 tons. Perhaps it is late in the day to ask us to check the figures which Tatas give now.

President.—According to the flow sheet which was handed in during the first enquiry they expected to use 11,333 tons of pig iron in the open hearth furnaces every month for a production of 17,500 tons of ingots. That implies that they would use a considerable quantity of scrap. The actual results have been considerably better. In the last five months, they obtained 17,583 tons of ingots from the open hearth on the average and used only 9,600 tons of pig iron to get it. Therefore, as regards that part of the plant the consumption of pig iron is substantially less than the estimate. In the duplex plant what they expected was that they would produce 30,000 tons of ingots and use 35,300 tons of pig iron.

Mr. FitzPatrick.—We cannot dispute Tata's figures. But they are submitting figures as if their plant is an economical plant. We don't know the method by which they arrived at that surplus.

President.—According to the practice of the last five months they obtained 18,000 tons of ingots a month and the consumption of pig iron was 22,600 tons. That would imply that for every 30,000 tons of ingots they would consume not 35,292 tons of pig iron but 37,700 tons. The nett result is that they are using considerably less pig iron than they expected in the open hearth plant and considerably more than they expected in the duplex plant, so that the result is an almost exact balance—the higher consumption on the one side balances the smaller consumption on the other. Taking the plant as a whole, at the present time they are using almost exactly the quantity of pig iron from which they expected to get a given output of steel. When they reach full production, and if and when the duplex produces 30,000 tons of steel ingots, then according to the practice of the last five months, they will be using rather more pig iron in the manufacture of steel than they anticipated. Whatever may be the cause of the excess pig iron they have, it is not due to a smaller consumption of pig iron in making steel as you suggest.

Mr. FitzPatrick.—We do not possess the particulars which you have there. All I am saying is that it leaves a surplus of about 140,000 tons of pig iron, and Tatas last year exported and sold 186,700 tons of pig iron to the detriment of ourselves and the Indian Iron and Steel Company.

President.—I think it is important that it should be clearly ascertained what the cause of this large surplus of pig iron is. Whatever the cause may be, it is not due to the smaller consumption of pig iron in making steel than was expected.

Mr. FitzPatrick.—How it happened I don't know. But Mr. R. D. Tata told me in Bombay that their new furnace had given them a much larger output than they anticipated two years ago.

President.—Their original anticipation was that five blast furnaces would give them something close on 51,000 tons a month of pig iron. Actually, they have been getting out of the four furnaces in the last five months about 46,500 tons of pig iron. If the fifth furnace were blown in, they would get not less than 55,000 tons a month, with the result that, instead of a total of 610,000 tons of pig iron, it would be not less than 660,000 or 670,000 tons. That is where the explanation is to be found of the large surplus.

Mr. FitzPatrick.—I admit that it is there. All we protest against it is that it is there, and I think you will see our point. As long as this surplus is there, it must be sold, and it must be sold in competition with ourselves.

President.—The Board always anticipated that in 1924-25, 1925-26 and 1926-27 there would be a surplus of pig iron.

Mr. FitzPatrick.—30,000 tons you told me, Sir.

President.—Yes, when the full output of steel is attained. Their production in 1924-25, as the Board estimated, was 250,000 tons of finished steel and that is almost exactly what they did produce. Our estimate was 250,000 tons in 1924-25, 330,000 tons in 1925-26 and not until the third year did we expect that it might be possible to reach an output of 390,000 tons and, therefore, in the year that has just gone and the year we are now in, it was the anticipation of the Board that there would be a considerable amount of surplus pig iron.

Mr. FitzPatrick.—Did you notice a passage in Mr. Peterson's representation to the effect that if the pig iron market improved he would blow in the fifth furnace?

President.—What I recollect is a statement that, if they added a third tilting furnace to the duplex plant, it would be necessary to blow in the fifth furnace.

Mr. FitzPatrick.—If you turn to the report in the *Englishman* and the *Statesman* you will find that Mr. Peterson is said to have made that statement. I read it two days ago.

President.—I don't think it is correct. The point I am trying to draw your attention to is that it was inevitable in the circumstances of the case that during the years 1924-25 and 1925-26 the Tata Iron and Steel Company should have a very much larger surplus of pig iron than the 30,000 tons they eventually expected, and if you read our first Report you will find that we considered the question to what extent it would be fair, in framing our proposals, to take into account the profit the Company might make on their pig iron. We took the surplus pig iron at something like 100,000 tons, actually they sold a good deal more, but as the price has been a great deal lower, I don't think they are making large profits out of pig iron. At any rate, that is no part of your case.

Mr. FitzPatrick.—We don't say that they are making large profits out of pig iron and that it is because of that they are selling in competition with ours. What we say is that they are *not* making any profits, and our protest is that with a bounty they are able to sell pig iron at a lower price and make nothing out of it.

President.—The next question perhaps is—

Mr. FitzPatrick.—What was the first question, Sir?

President.—The only point we have so far succeeded in elucidating is that there is a surplus production of pig iron which is an admitted fact. The explanation of that surplus is only a very subsidiary point. So far I have done no more than to endeavour to make clear the position as regards the cause of this large surplus pig iron which the Tata Iron and Steel Company have got to sell. The fact is unquestionable but this paragraph in your representation ascribes it to a cause which is not the real cause.

Mr. FitzPatrick.—Are we agreed, Sir, that there is a cause for it and you have explained the cause of this surplus?

President.—Yes. The cause of the surplus production is that the blast furnaces are producing a great deal more of pig iron than they were expected to do. In paragraph 3 of your representation, it is ascribed to the fact that they use a greater quantity of scrap. If you take the plant as a whole, the consumption of pig iron is almost one ton of pig iron to a ton of ingot both in actual practice and in the anticipation.

Mr. FitzPatrick.—All I want to say is this that we stated that there is a surplus. How that surplus is arrived at we don't know. The whole point is that there is a surplus. We have tried to arrive at it in paragraph 3.

President.—If the statement in paragraph 3 were correct, the fact ought to have been known to the Board when they made their previous enquiry. It cannot be correct for a plant which is preponderantly duplex.

Mr. FitzPatrick.—I admit I have not seen the plant. I took the figures just as made out by our expert. However, if there are any questions which want further light and if we can help you in any way, we shall endeavour to do so.

President.—You might think this over and if you like you can communicate with us. I understand your position to be that you have not gone into it closely from this point of view.

Mr. FitzPatrick.—No. All that we are concerned with is the surplus and it is the surplus we are protesting against. How it is arrived at does not really concern us so much as the fact that the surplus exists.

President.—I have already stated that the total capacity for pig iron of the Tata Iron and Steel Company cannot be put at less than 670,000 tons, which would mean that with full production of steel they would have a surplus of perhaps 100,000 tons. I visited the works of the Indian Iron and Steel Company and I think, according to the evidence given by Mr. Fairhurst at the time of our last enquiry, the normal capacity of the blast furnaces of their plant was 300,000 tons. Therefore, I take it, their capacity might be 350,000 tons a year roughly, according to your information.

Mr. FitzPatrick.—I am on the Board of the Indian Iron and Steel Company but I have no authority to speak for them.

President.—You are appearing only on behalf of the Bengal Iron Company. I want to get down the figure of the total capacity of pig iron production in India and the Indian Iron and Steel Company are obviously of great importance. Eventually, they must be the most important because after Tatas get full production their pig iron will be smaller. Do you challenge this figure of 350,000 tons I have given?

Mr. FitzPatrick.—I do not think it would be 300,000 tons.

President.—That is near enough for my purpose. What about the capacity of the Bengal Iron Company?

Mr. FitzPatrick.—It has a capacity of 200,000 tons, but we never worked more than 150,000 tons.

President.—You have five blast furnaces now?

Mr. FitzPatrick.—Yes.

President.—One of them has recently been modernised?

Mr. FitzPatrick.—Yes.

President.—The three older furnaces, when were they erected?

Mr. FitzPatrick.—The furnaces were practically re-erected every time they were relined. So far as we were concerned, we were modernising them as we went along.

President.—Relining is not by any means a renovation.

Mr. FitzPatrick.—We have in fact partially modernised the older furnaces.

President.—At any rate, you could not have modernised the older furnaces to the same extent as the other two.

Mr. FitzPatrick.—Not quite.

President.—Are the older furnaces approximately of the same capacity as the newer ones?

Mr. FitzPatrick.—The older furnaces are 90-ton furnaces.

President.—What would be the capacity of the new two furnaces as they now stand after renovation?

Mr. FitzPatrick.—No. 5 is a completely new one and No. 4 is converted.

President.—What is the capacity of the new fifth furnace?

Mr. FitzPatrick.—150 tons. It can be made to do 250 tons, if we require it.

President.—What about the 4th?

Mr. FitzPatrick.—The same as No. 5.

President.—If we take your capacity as 200,000 tons at the moment, the Indian Iron and Steel Company as 300,000 and the Tata's surplus capacity as 100,000 tons, it comes to 600,000 tons altogether. What would you put the Indian consumption of pig iron at?

Mr. FitzPatrick.—About 100,000 tons.*

President.—That would include your own foundry consumption?

Mr. FitzPatrick.—Yes.

President.—Therefore, if this pig iron is to be marketed, the balance of 450,000 tons has got to be exported.

Mr. FitzPatrick.—Yes.

President.—Before the Indian Iron and Steel Company came into the field, it was only necessary to export a little more than 150,000 tons.

Mr. FitzPatrick.—Yes.

President.—Did the Indian Iron and Steel Company begin to manufacture pig iron in 1923?

Mr. FitzPatrick.—No, in 1921.†

President.—I don't think so.

Mr. FitzPatrick.—They started the first furnace in 1921† and the second furnace in 1922.‡

President.—Before they came into the market, quite clearly the amount that required to be exported was a good deal less than it is now.

Mr. FitzPatrick.—Quite so.

President.—What would be the natural consequence of the increase in the blast furnace capacity on prices of pig iron in India?

Mr. FitzPatrick.—The position would be as follows. When the Indian Iron and Steel Company was started, there was a much bigger demand for pig iron than there is at present.

President.—In India or all over the world? There was then a shortage of pig iron, and prices were a great deal higher than they are now all over the world. But is it part of your case that India was at that time consuming more pig iron?

Mr. FitzPatrick.—Indian consumption will be the same, but the question is about Indian export.

President.—Is it your statement that it was consuming more pig iron than it is now?

Mr. FitzPatrick.—You want the figures regarding the consumption of pig iron in India for 1918 to 1925. I have no idea. But my statement was

* The figure as recorded by the stenographer was 150,000 tons but was corrected by the witness to 100,000 tons.

† Corrected by the witness as 1922.

‡ Corrected by the witness as 1923.

that when the Indian Iron and Steel Company began to manufacture, the consumption of pig iron—I mean the world demand for pig iron—was greater than at present. From ourselves we could not supply all the orders. I base my statement on that. I expect Tata's were the same. Therefore, the demand for pig iron at that time was greater than at present. That answers your question as to the difference which the Indian Iron and Steel Company coming into the market made on the sales.

President.—But I do not think that answers my question, does it? My question was this. Here you have an immense increase in the pig iron producing capacity of India, owing to the commencement of operations by a Company, which has two large furnaces, which has increased the capacity of India by 300,000 tons. My question was what would be the natural result of that fact?

Mr. FitzPatrick.—The natural result of that fact is quite easy to see. It was an arrangement between the Bengal Iron Company and the Indian Iron and Steel Company whereby we found the Indian Iron and Steel Company £5,50,000 worth of debentures and took 55 per cent. of their profits. It was the natural trend of business affairs with the object of restricting output according to demand as is done in the jute trade.

President.—Yes. But I do not know I am prepared to say that a combine which was intended to exploit the consumers is a natural result.

Mr. FitzPatrick.—Does it happen in the jute trade?

President.—That is your suggestion. The natural result, you say, ought to be a combine between the producers to regulate the price.

Mr. FitzPatrick.—Not to regulate the price, but to regulate the output, i.e., to make pig iron production profitable.

President.—Unless the result of regulating the output is to increase the price, the manufacturers are no better off.

Mr. FitzPatrick.—Why not? You reduce your production by half and you get a price which pays you.

President.—Quite so. But unless you get a higher price as a result of the combine, you are not better off.

Mr. FitzPatrick.—Why?

President.—Unless you get a higher price, there would be no combine.

Mr. FitzPatrick.—No; a combine does not necessarily mean that price will go up.

President.—I don't say there would be a higher price than you were getting before, but a higher price than you would get in the future, if there were no combine.

Mr. FitzPatrick.—I don't admit that. We may give it even at a lower price. With various economies at work there is no reason why we should not do what other combines have done.

President.—It is an interesting doctrine. I should be glad to accept it if I could.

Mr. FitzPatrick.—If it is not to your knowledge, you cannot say it is not so and so. The jute mills have been forced to work 4 days a week in order that they might all live. That goes on in Calcutta.

President.—Do you mean to tell me that, if they were all working full time, i.e., seven days a week, the price of jute would be as high as it is at present?

Mr. FitzPatrick.—Probably for 12 months it would sell at a cheap rate. At the end of the time there would probably be one or two companies remaining, when the production would be much less than the demand and then your price will go up.

President.—I am not talking of the ultimate result. I put it to you this way. When a country is producing a certain amount already in excess of the country's requirements and is exporting the surplus, and when a new company begins to manufacture on a scale which practically doubles the

total output of that commodity, is not the natural result likely to be a fall in price?

Mr. FitzPatrick.—If you are talking about the fall in the price of pig iron which has taken place during the last six months, I can give you the reasons for that in private. I can't tell you in public.

President.—Nothing that you can communicate to me in private will be of use to me. Anything that you wish the Board to take into consideration must be said in public.

Mr. FitzPatrick.—In that case it is impossible to state it in public, but the reason exists.

President.—My point is this. I am only going to put it to you once more. I don't think it has been directly answered yet. Is it not the natural result of an immense increase in the productive capacity of a country in a particular commodity a fall in price?

Mr. FitzPatrick.—No. The fall in price is governed by the demand. Supposing the demand existed to-day as it did in 1918, there would be no fall in price, because your demand was greater than your supply. That and that alone governs the price and not the output. That is my answer.

President.—You have definitely told me that you are not prepared to say whether there is any increase in the demand for pig iron in India.

Mr. FitzPatrick.—I have answered your question.

President.—I am drawing your attention to the fact that I put to you the question; "Do you say that the Indian consumption or the Indian demand for pig iron was larger in 1923 than it is now?" You said you were not prepared to say.

Mr. FitzPatrick.—It is quite easy to say, but I have not got the figures.

President.—Are you asking me to accept that statement or not? I gather that you are not asking me to accept as part of your case the statement that the consumption of pig iron or the demand for pig iron in India was greater five years ago than it is now.

Mr. FitzPatrick.—Your question is "was the demand for pig iron in India five years ago greater than it is at the present day?"

President.—Yes.

Mr. FitzPatrick.—I should say the demand for pig iron in India was greater than it is now.

President.—That is to say, India was using more pig iron.

Mr. FitzPatrick.—Yes, five years ago. I am only speaking from my own Company's point of view.

President.—That of course does not help me. It is not a case of what your Company has been doing, but a question of what India has been doing.

Mr. FitzPatrick.—I cannot answer general questions.

President.—You do not assert as a fact that India was consuming more pig iron five years ago.

Mr. FitzPatrick.—When have I asked you to accept that statement? If you tell me, Sir, the object of your question, then I can answer your questions satisfactorily.

President.—I am exceedingly sorry if my method of putting questions does not give you satisfaction. I should reply to you I am not sure that your method of answering my questions gives satisfaction to me.

Mr. FitzPatrick.—All my point is that I am making a protest. It is not a joke. It is a serious thing when we are asked to get police protection because of 30,000 people starving in our village. The Local Government and the Local officers are organizing relief works. We have had to cut down the fresh water supply which means that there may be disease.

President.—It seems that my questions have worried you. If you imagine for a single moment that I regard your representation otherwise than exceedingly seriously, you are under a complete misapprehension. I am afraid I

want to go back to the same point, because it is important. I said to you that the natural result of a big increase in productive capacity would be a fall in price. You said "that was not naturally so. You could not take productive capacity only but you have also to take into consideration the demand."

Mr. FitzPatrick.—That was my answer.

President.—Do you assert that there is any increase in the Indian demand?

Mr. FitzPatrick.—As far as my own company is concerned, I can answer the question that the demand is less and we attribute that to the fact that the Tata Company are selling where we sold before.

President.—I cannot get on with my examination unless I can get some sort of a common basis on which to work. My suggestion is simply this. Assuming that the Indian demand is stationary and you get a very big increase in the output of pig iron, the price will fall or in the alternative I quite admit that a combination of manufacturers could prevent the price from falling. But in the absence of such a combination and in the absence of an increase in the Indian consumption, a fall in the price is inevitable.

Mr. FitzPatrick.—We know the price has fallen during the last 12 months considerably, but it is not due to the fact that the Indian Iron and Steel Company have been manufacturing this extra quantity for 18 months at their full capacity, and for three years at half their capacity. The drop in price can be traced more or less to the fact which was stated by our buyers in Japan.

President.—We are on the question of Indian price now.

Mr. FitzPatrick.—I am coming to that.

President.—Let us take one thing at a time. I am referring to the question of Indian price.

Mr. FitzPatrick.—Export is a question which I cannot answer in public.

President.—I do not wish to press you to say anything which you don't want to say. I have made a certain suggestion that a certain combination of causes must produce certain effects. If you accept that suggestion, I should be glad to hear it. If you challenge it I should be equally glad to hear you, or if you tell me, that you have no observations to make, I shall accept that also.

Mr. FitzPatrick.—I have no observations to make.

President.—It would be useful if you could give us the ruling price for pig iron. Would Calcutta be a typical market? I am not talking of your prices particularly any more than anybody else, because I assume that since your Company and the Tata Company have been producing for a number of years, there must be a recognised price prevailing from time to time for pig iron in a big market. I do not think it is necessary to go back further than 1922, because we all know that the price was then very high indeed. What you would put, say, June or July of 1923, the price of pig iron at?

Mr. FitzPatrick.—I am sorry I can't tell you off hand.

President.—Can you tell me the figure for June and July 1924?

Mr. FitzPatrick.—About Rs. 65.

President.—Is that for selling in Calcutta?

Mr. FitzPatrick.—Yes.

President.—Have you taken No. 3 and No. 4 as the basis?

Mr. FitzPatrick.—That is the basis.

President.—What is the price of pig iron at present?

Mr. FitzPatrick.—About Rs. 41 to Rs. 42.

President.—What do you consider a fair price which would give the manufacturer of pig iron a reasonable return? Are you prepared to hazard any figure on that point?

Mr. FitzPatrick.—I cannot answer you satisfactorily. I don't think that comes in.

President.—My point is this. You say that Tata's are selling too low. At what point do you consider they begin to sell too low.

Mr. FitzPatrick.—When they sell below their cost.

President.—Do you assert Rs. 41 to Rs. 42 is below their cost?

Mr. FitzPatrick.—Are you talking about India?

President.—Yes.

Mr. FitzPatrick.—I wouldn't be surprised if Rs. 40 is below their cost. But of course a great deal depends on what you call costs.

President.—I have no objection to mentioning the actual figures to you. The average works cost for the last five months is about Rs. 30 a ton. As regards the overhead, it was rather carefully examined by the Board two years ago when we wrote our first Report. Rs. 8½ came under overhead. Anything above that could be profit.

Mr. FitzPatrick.—In the balance sheet, which they have published, they have put it as Rs. 58½ lakhs. If you take it that they debited against iron the proper proportion, it comes to over Rs. 10 a ton.

President.—I don't ask you to accept my figures.

Mr. FitzPatrick.—I am accepting your figures. Rs. 40 is below the cost. Rs. 30 is the figure which Mr. Peterson gave you as works cost, Rs. 8 is on cost.

President.—Mr. Peterson made no statement about the overhead. That was the Board's calculation in 1923.

Mr. FitzPatrick.—Since then they have issued debentures. The debenture interest must come on there.

President.—If you look up our Report you will find the whole amount of £6 millions was taken into consideration in making our calculations. I am only suggesting on these figures, viz., Rs. 58 lakhs, it comes to Rs. 10 a ton on all the iron. If you suggest that they allocate a part of it to other processes, whether it is ingot or finished steel, it comes to the figure I suggested. I admit that in the case of a Company producing both iron and steel, we cannot go into the full discussion of the matter. You have told me what you think it ought to be.

Mr. FitzPatrick.—Not what I think it ought to be, but what it ought to be on their balance sheet.

President.—What was your apportionment?

Mr. FitzPatrick.—Rs. 58½ lakhs.

President.—Where did you look for Rs. 60 lakhs depreciation?

Mr. FitzPatrick.—They don't put their depreciation in the works cost.

President.—Depreciation is no part of the works cost.

Mr. FitzPatrick.—I can only say that is Bombay finance. We take depreciation as part of our works cost.

President.—I am afraid I should call that Calcutta finance.

Mr. FitzPatrick.—You are liable for that money.

President.—Of course, you are. Why should it be part of the works cost? It is usually called overhead. After all, it does not matter where it comes in. If you read the Board's Report you will see the way in which we took overhead. Under overhead charges come first the interest on working capital, Bombay expenses and agency commission—that is not part of the works cost—and depreciation—iron has got to take its share of depreciation.

Mr. FitzPatrick.—Then you get the question of services which you add on to your works cost. On the top of that you must add interest on debentures. Therefore, this Rs. 10 will become Rs. 20 and your pig iron cost becomes Rs. 50. They are selling at Rs. 42. They are selling below their cost price. In my statement I have said that the bounty allows them to do this but prevents us from doing so.

President.—Then, may I take it that you consider anything less than Rs. 50 a ton must be an unremunerative price?

Mr. FitzPatrick.—No, I don't.

President.—Do you say that Tata's costs are higher than everybody else's?

Mr. FitzPatrick.—Yes, higher than ours and higher than the Indian Iron and Steel Company's.

President.—Are you prepared to give me the Bengal Iron Company's cost price?

Mr. FitzPatrick.—Only for your private information!

President.—You are not prepared to publish it?

Mr. FitzPatrick.—No.

President.—I am afraid in that case it cannot be of any use to the Board.

Mr. FitzPatrick.—The fact is this. We as a company are not asking for anything from you to prove what we want. All that we are asking you to do is to give us a fair field as we had in the past. That is all we are asking you to recommend—to allow us to compete against the other, to have healthy competition.

President.—I understand your contention perfectly well. As far as I have understood your answers, you are not prepared to say what is the minimum price which is remunerative to the manufacturer, nor are you prepared to publish your cost?

Mr. FitzPatrick.—Anything we get for our pig iron above our cost price is a remunerative price—let that be only an anna.

President.—Quite so. If you are prepared to publish your cost, one can at any rate say what your fair remunerative price is.

Mr. FitzPatrick.—You have got to fix the price of pig iron.

President.—You say that Tata's are selling too low?

Mr. FitzPatrick.—You have just proved it yourself.

President.—What do you consider a fair price or the lowest price which is reasonable?

Mr. FitzPatrick.—Does it not rather depend on the demand? If the demand is high, then you can put up your price.

President.—I want to know what you consider as the lowest price which gives the manufacturer a reasonable return on his capital invested?

Mr. FitzPatrick.—I can give you that but not for publication.

President.—In that case you are not giving the Board the information which is necessary to substantiate your view.

Mr. FitzPatrick.—I am prepared to give you for your private information but not for publication.

President.—It is quite useless giving facts of that kind confidentially to me. It is no use to the Board at all.

Mr. FitzPatrick.—In these Reports, which you have published, there are many confidential statements which have not been published and which you have allowed the Tata Iron and Steel Company to place before you. Why should we be treated differently?

President.—You say that there are good many confidential statements not published?

Mr. FitzPatrick.—Yes.

President.—Let us see what they are (handed a volume to the witness).

Mr. FitzPatrick.—(Pointed out one instance). There are many more like that in the various volumes you have published.

President.—The reason in this particular case might be that the Board did not think it worth while publishing it.

Mr. FitzPatrick.—I am quite prepared to give you our cost for your information but not for publication.

President.—The figures form the essential part of the argument. It is no use giving them to me and saying I must not use them. It is perfectly useless.

Mr. FitzPatrick.—Can you explain to me how it affects my written statement or my protest?

President.—Unquestionably, the point is this. Is it your claim that a 90-ton furnace can produce as economically as a 400-ton furnace?

Mr. FitzPatrick.—No, it is not.

President.—Must not the natural result of an immense increase in production be the elimination of the companies whose equipment is inferior?

Mr. FitzPatrick.—No. Do you want me to say why?

President.—Certainly.

Mr. FitzPatrick.—Take the 400-ton and the 90-ton furnaces and look at the costs of one and the costs of the other for a given period. If in that time there is a world slump, as at present, in the pig iron market, the 90-ton furnace can stand off. Lay off one of your big furnaces and then see what the production cost of the remaining furnaces are. That is my argument.

President.—Supposing the furnaces are not laid off, then?

Mr. FitzPatrick.—In that case, you have to go in for and get more modern furnaces as we have done. We have modernised our plant.

President.—I am coming to the heart of the matter. Before we get to that, there is a preliminary point to clear up. At the beginning of paragraph 5 of your written statement you say "Whatever be the amount of bounty earned it is obvious that it would enable Tata's, should they so wish, to sell pig iron at cheap rates" and then you say, in the middle of paragraph 8, "Unless, therefore, the Indian Government intervene, they are in a position to compete very unfairly with other companies producing pig iron in India." These are both conditional, hypothetical statements. Is it your case that the bounty on steel has enabled Tata's to sell pig iron at a low price?

Mr. FitzPatrick.—I am sorry I could not follow!

President.—You have carefully abstained from saying definitely that the cause of the low price of pig iron in India at present is the protection given to steel. All that you say is that, whatever be the amount of bounty earned, it is obvious that it would enable Tata's, should they so wish, to sell pig iron at cheap rates and again, in paragraph 8, you say "Unless, therefore, the Indian Government intervene, they are in a position to compete very unfairly with the other companies." In the first case, you don't say that it has enabled Tata's to sell pig iron at cheap rates and in the second case, you don't say that they have competed unfairly.

Mr. FitzPatrick.—Will you read the next clause following that?

President.—Yes, "with the result that the Bengal Iron Company have had to close down their blast furnace plant."

Mr. FitzPatrick.—There is no supposition in that. The fact is there.

President.—All I am trying to ascertain is what your case is.

Mr. FitzPatrick.—We have closed down.

President.—I know you have closed down.

Mr. FitzPatrick.—For the reason stated in the written statement.

President.—I want to know whether the low price of pig iron is definitely due to the protection given to steel?

Mr. FitzPatrick.—Yes.

President.—I have put it to you already that the natural result of an immense increase in the productive capacity must be a fall in the price of pig iron in India.

Mr. FitzPatrick.—You maintain that.

President.—I am only putting it to you.

Mr. FitzPatrick.—I would agree to your theory, but I would also add that the enormous decrease in the demand for pig iron all the world over is just as much responsible as the immense increase in the productive capacity for the low prices.

President.—In India?

Mr. FitzPatrick.—Including India.

President.—Does the price in India depend on the world demand?

Mr. FitzPatrick.—Yes.

President.—What country do you think could possibly sell pig iron to India competing with Indian pig iron?

Mr. FitzPatrick.—In 1922-23 Belgian pig iron was imported into Calcutta.

President.—But not at present.

Mr. FitzPatrick.—No. At present the Indian production is greater than the demand.

President.—What was the price of pig iron at that time?

Mr. FitzPatrick.—I said it was Rs. 65.

President.—That was the figure you gave for 1924. When we made our first enquiry, it was Rs. 90 a ton.

Mr. FitzPatrick.—About Rs. 80 to Rs. 90.

President.—The import of Belgian pig iron was possible at Rs. 90, but it would not be possible at Rs. 50 or Rs. 60.

Mr. FitzPatrick.—I agree, but what is the point?

President.—The point is this. You said that the fall in price was due not only to the increased production in India, but also due to the general decrease in the world demand for pig iron. It may be so. But what I would like to take is this. You said that the Tata Iron and Steel Company might in their cost allocate the bounty to pig iron instead of to steel and thereby sell pig iron cheaper.

Mr. FitzPatrick.—Yes.

President.—I take it that you would admit that the Tata Iron and Steel Company has got to make, like everybody else, a profit somehow. Supposing they are making a loss on their steel, what are they to do?

Mr. FitzPatrick.—The answer is this. The Bengal Iron and Steel Company made a loss on their steel and they ceased to manufacture steel. They didn't go to Government for a charity to pay dividends to preference shareholders.

President.—Do you think that is an answer to my question?

Mr. FitzPatrick.—Your question was "if it does not pay you to manufacture steel, what are you to do." I said "do as the Bengal Iron and Steel Company did."

President.—That clearly is not an answer to the question I put. Obviously, the assumption is that the Company, whatever it may be, is manufacturing both pig iron and steel. If it is making a loss on its steel, how is it in a position to allocate the bounty to pig iron?

Mr. FitzPatrick.—Who said that the Tata Iron and Steel Company were making a loss on their steel?

President.—For the purpose of argument I said that if they were making a loss on their steel, how would they be in a position to allocate the bounty to pig iron?

Mr. FitzPatrick.—You said that you could not differentiate between iron and steel and that it is all under one head.

President.—Who said that? I said that there might be room for argument as to the allocation of the overhead between iron and steel.

Mr. FitzPatrick.—I shall explain my position in very few sentences. The Tata Iron and Steel Company are manufacturing steel. They are also manufacturing pig iron. They are selling 186,000 tons of pig iron at a loss of Rs. 10 per ton, *i.e.*, at a total loss of Rs. 18 lakhs. Whether you allocate that loss as loss on steel or loss on pig iron is not shown. It is a loss to the whole works. If you come along and grant them a bounty of Rs. 50 lakhs, that wipes out their loss of Rs. 18 lakhs and the remainder is shown as profits. That is the whole thing.

What are your questions leading up to? Our statement says that it can be done and the result is that we have closed down four of our five furnaces because we cannot compete with the Tata Iron and Steel Company.

President.—The point I am putting to you in substance is that, if there was no protection to steel, the position of pig iron would have been worse to-day than it is.

Mr. FitzPatrick.—You said that before. The debenture holders might close the steel department and run the whole works as an iron producing concern. That, I doubt.

President.—It is a matter of pure speculation. No one can say what would be done.

Mr. FitzPatrick.—If they are running only their blast furnaces, then all their costs, which are now divided amongst the whole works, will be shovled on to iron. In that case we will not have to fear their competition in the least.

President.—I don't want to enter into an argument. But I don't want to pass it unchallenged the statement that I am ready to accept your figure of Rs. 20 a ton for overhead. I only say that I am unable to accept your figure for this reason that I should not be thought to have assented to what you had said. There is the further question that, as far as I can judge, in order to establish your claim that the protection to steel has resulted in the present low price of pig iron, you have got to give more evidence than you have done.

Mr. FitzPatrick.—Will you indicate to me what further evidence you want to have?

President.—I have already indicated that. It is not incumbent on me to tell you how to bring up your case.

Mr. FitzPatrick.—I have put up the case as I view it.

President.—I don't think that on what you said here you have made out a full case. It is not for me to tell you the lines on which the case should be dealt with.

Mr. FitzPatrick.—I have prepared a case and you say this case is not sufficient for you and you require further evidence.

President.—I didn't say I required it. All that I said was that you had not made out a complete case on what you had submitted. If you wish to supplement it in any way, you are at perfect liberty to do so, but you will have to send it in as soon as possible.

Mr. FitzPatrick.—Yes.

President.—First of all, could you give me the output of pig iron of your Company for the last three years and the proportion exported?

Mr. FitzPatrick.—Yes.

President.—The importance of this is to see how far your Company is affected by the price in India and to what extent in the export.

Mr. FitzPatrick.—I can give you an answer now to that which I hope would satisfy you.

President.—I may tell you I am ignorant on the subject. I only want to know facts.

Mr. FitzPatrick.—We made a contract with a firm in Japan to sell them 30,000 tons at Rs. 64 a ton.

President.—What was the date of the contract?

Mr. FitzPatrick.—June 1924.

President.—Was the price Rs. 64 f.o.b. Calcutta?

Mr. FitzPatrick.—Yes.

President.—In that case, you would be realising at the works a little less.

Mr. FitzPatrick.—Yes. Our agent in Japan came to us at the beginning of the year and made the following statement. "The Tata Company requires money. They hold large stocks of pig iron. They cannot obtain money by borrowing or raise fresh capital. So, they have sold an enormous quantity of their surplus pig iron to our competitor in Japan at a price of Rs. 34 a ton f.o.b. Calcutta.

President.—We heard of that price. The Tata Company themselves gave us.*

Mr. FitzPatrick.—Is not that sufficient evidence that the bounty is enabling them to sell pig iron lower than us?

President.—I think you seem to forget that you cannot ask the Board any question.

Mr. FitzPatrick.—You asked me a question and my reply was "Is not that sufficient evidence?"

President.—Your reply is in the form of a question.

Mr. FitzPatrick.—I have answered your question at the end.

President.—What I want to get at is this—the actual output of pig iron for three years and the quantity exported.

Mr. FitzPatrick.—Yes, I will send you later on.

President.—Have you only exported to Japan or to America also?

Mr. FitzPatrick.—To Japan and very little to United States of America.

President.—Is the export price or the Indian price more important to you? There might be a company—I don't know what the position of the Indian Iron and Steel Company is—which exported much the greater portion of their output. In that case, the price they would care most for is the export price. You might on the other hand have a company exporting only a small portion of their output. In that case, what they would be interested in would be naturally the Indian price. That is the reason why I would like to have these figures.

Mr. FitzPatrick.—I have given a case in point in which we lost a contract for 30,000 tons this year. That is a concrete case.

President.—As to the price at which the Tata Company have been selling pig iron, they have admitted it themselves.

Mr. FitzPatrick.—They said Rs. 35, but our man said Rs. 34.

President.—Rs. 35 might be an average.

Mr. FitzPatrick.—We shall take it as Rs. 35. The figure you arrived at for their overhead is Rs. 8½, and Rs. 30 is their works cost.

President.—Roughly.

Mr. FitzPatrick.—That is sufficient. Rs. 38 is their cost.

President.—Rs. 38 is their all-in cost. I should like to put you another point. From the 1st of January till about nearly the end of September 1924, the Tata Company had five blast furnaces working and I think I am right in saying one of the furnaces was shut down just about the date from which the bounty began to be paid.

Mr. FitzPatrick.—It was just before.

President.—It was just about that time. The point I want to put to you is this that it was during the period from the 1st of January to nearly the end of September 1924, the huge surplus of pig iron was produced. It left Tata's with an enormous stock of pig iron in hand. On the 30th of September last, it amounted to 144,000 tons. Quite obviously any company that has got an abnormal stock of a commodity will wish to clear it and therefore one, I think,

* *Vide* Mr. Peterson's oral evidence, dated the 7th July 1925.

would be fair in attributing any sales made at an abnormally low price to their desire to clear their stock to save the interest.

Mr. FitzPatrick.—It is quite possible.

President.—The whole of this excess production was obtained during the period before the bounty became payable and before the Company knew that there was going to be any bounty.

Mr. FitzPatrick.—I think that before the bounty came, there was an increased tariff. That was the occasion for the submission of our first written statement. I raised exactly the same objections then as I do to-day.

President.—You recognise that tariff was entirely ineffective as regards raising the price of steel during the four months, viz., between the date of passing the Indian Steel Industry (Protection) Act and the 30th September 1924. Not only was there no increase in the average price but in the last two months there was a steady decline.

Mr. FitzPatrick.—It is so obvious. The Tariff Board was sitting considering the question of putting on an additional tariff on steel. The chances were that the finding would be in favour of an increase in the duty. The merchants took advantage of the time the Board was sitting and imported a large quantity of steel at the old lower rates of duty.

President.—What I pointed out was that during the period that lapsed between the passing of the Steel Industry (Protection) Act and the date when the bounty became payable, there was no increase in the price of steel. If Tata's were deriving no benefit from the protection, how were they in a position to sell pig iron cheaply?

Mr. FitzPatrick.—They sold pig iron cheaply and then when they made a loss of Rs. 18 lakhs, they came to the Government and asked for a bounty of Rs. 50 lakhs to make it good.

President.—You have given us two figures, viz., for July 1924 Rs. 65, and for this year Rs. 41. When did the fall in the price occur?

Mr. FitzPatrick.—It occurred in October, November and December.

President.—Was there no fall before October?

Mr. FitzPatrick.—I could not tell you. I was at home then.

President.—There is one other point. I think there was recently a newspaper paragraph to the effect that under the orders of the United States Government special enquiry was being made in India as to the necessity of imposing an anti-dumping duty on pig iron, and I understand that under the American Tariff Law such a duty is leviable, if the price at which the commodity is sold for export is substantially below the price at home. Would it be correct in finding any connection between this enquiry by the American Government and the fall in price here?

Mr. FitzPatrick.—I cannot say. I have not seen this article. I am interested in these things and I have all the newspaper cuttings in my office but I have not come across such a statement in any newspaper. If you can recollect the time when it appeared, I will try to find it.

President.—I think it was in January. I am speaking only from recollection, and if it appears that there is no newspaper publication on this subject, there is no evidence before the Board and we can assure you that we will take no notice of it in making our recommendation.

Dr. Matthai.—I have read your statement carefully through and the way that I understand your case is this. Your whole case arises from this fact that the Tata Iron and Steel Company produce not only steel but also pig iron. I gather you consider it quite a legitimate thing for a manufacturer to produce the raw material he requires. It is a practically sound thing for him to do. You also admit, don't you, that under certain circumstances it is a sound thing for him from a business point of view to sell any surplus raw material he has?

Mr. FitzPatrick.—I admit that.

Dr. Matthai.—Your case really is this, I think, that in the case of the Tata Iron and Steel Company they are underselling their surplus raw material, which is an article which you have been producing for a very long time.

Mr. FitzPatrick.—For the last fifty years.

Dr. Matthai.—And also that Tata's are selling that because, in your opinion, they are helped to do so by the protection they have received, and sell it at an advantage compared with you as a result of special assistance from the State.

Mr. FitzPatrick.—That is my case.

Dr. Matthai.—As I look at it, and as indicated by you in your examination by the President, you have got to establish two things before that case is completely proved. The first is that you have got to show to our satisfaction that this surplus pig iron, that is now being sold by Tata's, is going to be something like a normal feature, *i. e.*, which will last for some time. Supposing this surplus disappeared in the course of a few months?

Mr. FitzPatrick.—If the surplus production ceases within a few months, then we don't protest.

Dr. Matthai.—I don't want to draw a hard and fast line. The general point I am raising is this, that if this surplus is going to be a purely passing phase, then I don't think you will press your case?

Mr. FitzPatrick.—No.

Dr. Matthai.—You raise the point that there is at present what looks like a mal-adjustment in Tata's plant. They are now producing less steel ingots on the one hand than can absorb all the pig iron they produce and on the other hand less than is necessary to give full occupation to their rolling mills. If there are certain circumstances, which are going to rectify this mal-adjustment, then the surplus you are complaining of might become a purely temporary thing. Your argument rests mainly on the fact that the output of steel ingots is less than is sufficient for the quantity of pig iron produced. One of the blast furnaces is not working now, so that, on the one hand, there is a circumstance which tends to the reduction of the surplus. On the other hand, at the point of the rolling mills, supposing the Directors seriously entertain the idea of putting in a third tilting furnace in their duplex plant and increasing the capacity of the rolling mills in that way, then in both directions you are going to have forces at work, which go to reduce this surplus and make it a purely passing phase. If that were so, your case would not be quite so strong. Supposing the fact turns out to be that the surplus disappears in time, then you admit that your case is to that extent weaker?

Mr. FitzPatrick.—In that case we would simply withdraw it.

Dr. Matthai.—Assuming that the surplus is a passing phase, you will not press your protest, but your fear is that the surplus is going to last. The second thing I want to be clear about is this. You have got to prove, as the President pointed out, in order to maintain your case that the Tata Iron and Steel Company at present do not merely sell their pig iron at a lower price than you do, but are selling below cost.

Mr. FitzPatrick.—We can prove that.

Dr. Matthai.—The question of proving is not an easy thing. We have got to consider such cost statements as Tata's have produced with any cost statements which you can produce. Supposing you are able to show that their all-in cost is exactly the same as yours.

Mr. FitzPatrick.—No, it is higher than ours. Mr. Peterson gave the works figures as Rs. 30. According to him, the cost of services should be Rs. 8½.

Dr. Matthai.—As you put it, it becomes a matter of surmise.

Mr. FitzPatrick.—Then, I take it, Rs. 8 is service charges, Rs. 30 and Rs. 8 makes Rs. 38. Tata's sell on their own admission to Japan at Rs. 35 a ton. There is a difference there of Rs. 3, or on 186,000 tons more than Rs. 5,50,000.

Dr. Matthai.—The question is, if I am to make up my mind intelligently, it would be necessary for me to make a careful examination of your costs as

compared with Tata's cost. At present the position is that I have access to Tata's evidence about costs. I have none with regard to yours.

Mr. FitzPatrick.—I am prepared to give it to you provided it is treated as confidential. This is very important and this is the only evidence which I ask you to treat as confidential.

President.—I have already told you what are the impressions on my mind. I am prepared to discuss it with my colleague. As I have said repeatedly in these enquiries when it becomes a really important matter as to the total cost it would be impossible for the Board to accept it except on the basis of public evidence. At the commencement of our steel enquiry in 1923, this was repeatedly pointed out and we put the strongest pressure on Tata's to publish their works costs and they published the whole of them from beginning to end.

Dr. Matthai.—From your point of view it is very important and it is desirable that you should be prepared to publish your works costs. It is after all a matter for the Legislature to make up its mind about and in a very important matter like this it is likely they would not approve of any hole and corner methods. We have got to publish the evidence. The point I want to impress on you is that it is in your own interest to let us have publicly your evidence about the costs, otherwise, I personally would find it exceedingly difficult to make up my mind.

Mr. FitzPatrick.—The question seriously affects our business.

Dr. Matthai.—What you are saying is "Here is a charge we are making against Tata's but we are not prepared to prove it before the Tariff Board."

Mr. FitzPatrick.—How is it going to help you to prove the charge by giving you our costs?

Dr. Matthai.—The way I look at it is this. I am here and I have got to make up my mind one way or the other. The primary point to prove is that the Tata Iron and Steel Company are selling pig iron not merely at a lower price than yours but below their cost. If you are not able to prove this, what you demand is an administrative arrangement in this country, to have the price of pig iron so fixed as to suit your uneconomical production? It would amount to that.

Mr. FitzPatrick.—I should like you to come to our works and examine our pig iron costs. You will find that there is not a rupee difference in the figure which Mr. Peterson gave of Rs. 30 between the two of us.

President.—May we take it that your cost is Rs. 30 a ton?

Mr. FitzPatrick.—It might be Rs. 29, it might be Rs. 31. I will show the figures to you but not for publication.

President.—My view is that I cannot influence myself by figures, which we are not in a position to publish.

Mr. FitzPatrick.—If you put it that way, I must ask my Home Board to agree to the publication.

Dr. Matthai.—There are some statements you make regarding the protection given to the Steel industry which are rather interesting. What you say is this, that if protection is granted from year to year as in the case of this bounty, then other firms, who might be interested in the steel business, might not care to come in. The result will be that the Tata's will have practically a monopoly; and you say the Tariff Board anticipated this. Then you say, supposing protection is given for a period of ten years, the result will be that such a large number of people will come into the business that production will increase, prices will fall and the Steel industry will be as badly off as ever. With regard to the first, I think you are evidently making a mistake. It is true that the question of bounty is being re-considered but there has been no change with regard to the degree of protection granted. When the Tariff Board proposed this scheme of protection what they said was that the Steel industry in this country should get Rs. 130 a ton for ordinary steel and Rs. 175 a ton for structurals. That is the degree of protection that they will get during the time the Act will remain in force. Circumstances have changed in various ways with regard to prices and so on. What is being done with

regard to the bounty is not to alter that original degree of protection, but to make such adjustments in the light of these changing factors as would give the Steel industry the protection originally contemplated.

Mr. FitzPatrick.—During that time Tata's were paying a higher rate on coal than they are doing at present and the result is that although prices have gone down, their production cost also has gone down.

Dr. Matthai.—That does not meet my point.

Mr. FitzPatrick.—I maintain that one balances the other.

Dr. Matthai.—It is going to touch the original point made by the Tariff Board. The degree of protection you are going to get is a price of Rs. 180 a ton. That is as much as you get for the three years the Steel Industry (Protection) Act remains in force. However, that is a small point.

Mr. FitzPatrick.—That last paragraph in our representation is simply a suggestion, as the President said, and it was put in only in order that we may not be accused of destructive criticism. I may tell you that our Chairman who has been connected with the business for a great many years had written two letters, one to the President of the Tariff Board and the other addressed to Sir George Rainy personally. He had no acknowledgment of them. A copy was also sent to Sir Charles Innes. We have already submitted a scheme.

President.—No general revision of the scheme of protection is before the Board.

Mr. FitzPatrick.—The point which has been brought up now is relevant to that.

Dr. Matthai.—You say that, if protection is granted over a definite period, other firms will come in, production will so increase that the position of the Steel industry will be no better. If you are going to take that line, the whole organization of modern industry comes under your criticism. As competition increases, costs come down or you may by mutual agreement reduce output.

Mr. FitzPatrick.—In theory your statement is right but in practice it is very difficult. You will find that we are speaking from experience, the Indian Cement industry is an example.

Dr. Matthai.—I am a school master and theory interests me.

President.—There is one other point that I want to make, and that is your suggestion that it may be necessary for the Tata Iron and Steel Company to find additional capital to work their duplex plant. This is a point which has already been discussed with Tata's. There is just this to be said that, if by putting in this plant, the Company can make a larger profit on their steel than they can by selling their pig iron as pig iron, they would naturally do it, would they not?

Mr. FitzPatrick.—Yes.

President.—As far as I can judge, certainly if they get a bounty, it would be far more profitable for them to convert the pig iron to steel. Without bounty it might be the other way round. They might make so little profit on their steel that they might have no incentive to make steel at all.

Mr. FitzPatrick.—If you do not give them a bounty we have no fear as regards competition. If you say to-morrow that we refuse the bounty to Tata's, we will immediately start the blast furnaces and put 5,500 people to work at our works. If you say that you will grant them the bounty on condition that they keep out of the pig iron market, we will start up again. If you say you cannot grant them the bounty, we will start up again, but if you leave them in a position to undersell us—as we proved this morning—at Rs. 35 for a total loss of Rs. 5,58,000, which is replaced by the bounty, then we cannot start up. That is my case.

Witness No. 4.

THE INDIAN IRON AND STEEL COMPANY, LIMITED*Representation, dated the 17th July 1925.*

We understand from FitzPatrick that during the course of his evidence before your Board reference was made to the position of this Company, and we desire to bring the following facts to your notice:—

1. We consider that the Steel Industry Protection Act in its present form gives a practical monopoly to the Tata Iron and Steel Company, Limited, but we believe that your terms of reference in the present enquiry make it doubtful if you can deal with a protest on this point and for this reason we refrained from addressing you before to-day. If, however, you are prepared to deal with the matter we would press very strongly that a bounty or tariff applied only for a short period like 2 or 3 years prevents any other Company from proceeding with the installation of a steel plant and consequently limits the benefits of the tariff or bounty to the one Company now operating on steel.
2. With regard to the bounty under consideration we would prefer to see Government support given to the Tata Iron and Steel Company, Limited, in the form of a debenture loan rather than as a bounty. With a debenture loan the Company could instal additional steel making plant and so bring the capacity of this section of their works into line with the output of the Blast Furnaces and Rolling Mill sections. This should have the effect of reducing the cost of finished steel and so rendering the Company independent of further large bounties, and consequently the debenture loan would be a good investment for Government.
3. We shall be pleased to amplify our statements on the above points if your Board so require.

Statement II.—Letter dated the 23rd July 1925.

We beg to thank you for your letter No. 394, dated 22nd instant, and regret to note that the Board consider that both the suggestions made in our letter of 17th instant, are beyond the scope of the present enquiry.

We consider it a matter for regret that our No. 2 suggestion has been turned down for the reasons given, as from a practical works point of view it seems to us that it would prove an advantage to all parties concerned if Tatas could be put in a position to turn out more steel and to make better use of the existing very large capital expenditure. If Government cannot agree to the suggested debenture loan a reasonable alternative would be for Government to pay some of the increased bounty in advance on condition that the Company earmark such advance payment for capital expenditure on extra steel plant.

Witness No. 5.

MESSRS. PARRY AND COMPANY, CALCUTTA.

A.—WRITTEN.

Representation, dated 8th July 1925.

We had the honour to address your Board on the 14th August 1923* as to the disabilities under which we were working in competition with manufacturers of Coal Tubs, Tipping Trucks and similar Light Railway materials in all of which we specialise, and now request your further consideration of our representations.

At the time of our last-mentioned communication, duty on Tipping Wagons, etc., was assessed at 15 per cent., and on the steel forming raw materials for same, at 10 per cent., *ad valorem*, leaving a protection on raw material cost of 5 per cent.

Since then the duty on Tipping Wagons, etc., has been increased to 25 per cent., and at the same time duty on raw materials has been increased to Rs. 30 to Rs. 40 per ton, equivalent to about 25 per cent. *ad valorem*.

The sections of the present Import Tariff, Schedule II, as affecting our manufactures, are quoted as follows:—

Serial No. 67.
No. in the Statutory Schedule-142.

“Coal Tubs, Tipping Wagons and the like conveyances designed for use on light rail track, if adapted to be worked by manual or animal labour and if made mainly of iron or steel; and component parts thereof made of iron or steel.”

Tariff valuation—*Ad valorem*. Duty—25 per cent.

Serial No. 91.
No. in the Statutory Schedule-152.

Switches, Crossings and the like material not made of alloy steel.

Tariff valuation—*Ad valorem*. Duty—25 per cent.

There is thus at present no margin of protection on raw material costs, and with the relative increase in cost of raw materials subsequent to last revision of tariff, and the high exchange ruling, the position has been little better under the present tariff than under that of 1922.

The class of goods referred to is eminently suitable for manufacture in India, and our Works are fitted with the most modern types of machinery.

Large quantities of Tipping Tubs, etc., are imported annually for Public Works Department, Railways, Collieries, etc.

A substantial increase in duty on such materials would ensure manufacturers in India a much larger share of the business which is now being placed on the Continent, and, with the larger turnover, manufacturing costs would be lowered *pro rata*, so that cost to consumer would not be materially affected.

We trust this question may have your favourable consideration.

*See page 9, Volume 11, of the Evidence recorded during enquiry into the Steel industry.

Statement II.—Supplementary statement, dated 20th July 1925.

We have the honour to acknowledge receipt of your favour No. 369 of 16th instant and now return herewith your notes with corrections in red.

2. In considering figures placed before you, we would ask you to bear in mind that the average selling prices quoted as having been obtained for our manufactures are not governed by cost and have no definite relation to same, but have been governed entirely by prices quoted in competition for materials of Continental manufacture, on the principle that it is better to get part of our overhead costs rather than lose business, in this way as far as possible keeping our works full.

3. Our position would automatically improve itself with more volume passing through our shops, and the following figures speak for themselves:—

Tipping wagons sold second half 1923	748
Tipping wagons sold first half 1924	525
Tipping wagons sold second half 1924	452
Tipping wagons sold first half 1925	419

4. The following figures are appended:—

- (1) Statement showing result of proposed increase of duty on Tipping Wagons, etc., to 40 per cent. or 50 per cent.
- (2) Statement of quantities of steel of various kinds in Tipping Wagons, etc.
- (3) Comparison of amounts of duty included in wagons manufactured by us and in imported wagons.
- (4) Comparison on lines of (3) applying to cases of Coal Tubs and Switches.

5. We find considerable difficulty in putting clear figures before you owing to the considerable variation in prices during the period under consideration due to local market conditions, as apart from the effects of tariff and exchange on prices.

6. Imported wagons have, however, been landed at such low prices as compared with prices of contemporary landings of steel—as to lead to the suspicion that material is being dumped here, presumably partly with the idea of discouraging manufacture in the country.

7. The fact that we have supplied, as an example, over 1,000 Tip Wagons to the Sulej Valley Irrigation Works, is we think evidence as to the quality of work turned out by us.

Enclosure I.

(1) Continental wagons can now be imported at a price of £6-15 c.i.f. equal to approximately	Rs. 90-0.
Present duty at 25 per cent.	Rs. 22-5.
Landing and clearing	Rs. 1-5.
(a) Total landed cost	Rs. 114-0.
(b) Our present average selling price is	Rs. 142-0.
Assuming duty on imported wagon at 40 per cent. we have—c.i.f. cost	Rs. 90-0.
Duty 40 per cent.	Rs. 36-0.
Landing and clearing	Rs. 1-5.
(c) Resulting landed cost	Rs. 127-5.

It will be seen from the above that an increase of duty from 25 per cent. to 40 per cent., while giving us some assistance, would still leave the advantage with the imported wagon. A duty of not less than 50 per cent. on the imported wagon is required to put us on anything like an equal footing.

Enclosure II.

(2) *Statement of approximate gross quantities of steel in various articles.*

	Standard Tipping wagon.	Coal Tub.
	cwt.	cwt.
Angles	1.25	.5
Channels	1.75	1.5
Sheets	2.5	3.0
Flats . . . . .	.25	1.0
Rounds . . . . .	.5	.5
	(a) 6.25	(b) 6.5

18 lb. 2 ft. gauge Switch, 16'-6" long.

	cwt.
Rails	4.4
Steel Sleepers	1.1
Flats . . . . .	.05
Miscellaneous . . . . .	.55
	(c) 6.1

Enclosure III.

(3) *Tipping Wagons.*

Comparison of duty paid on materials for manufacture of tipping wagons and on imported tipping wagons.

	1923.	1924.	1925.
	Rs.	Rs.	Rs.
Averages selling price of Parry wagons	160	149	142
Approximate cost of steel per wagon . . . . .	.1	60	54
Approximate duty included in above cost of steel	6	12	12
Average selling price of imported wagons	143	120	115
Duty paid per imported wagon	28	24	23

N.B.—It will be observed that whereas, principally owing to exchange, the amount of duty paid on imported wagons under the present and the former tariff works out almost the same, the amount paid in duty on steel required for manufacture in this country has been practically doubled.

Enclosure IV.

(4) Coal Tubs.

Comparison of duty paid on materials for manufacture of Coal Tubs and on imported tubs.

	1923.	1924.	1925.
	Rs.	Rs.	Rs.
(a) Average selling price of Parry tubs	140	135	120
(b) Approximate cost of steel per tub	54	51	41
(c) Approximate duty included in above cost of steel.	5	10	10
(d) Average selling price of imported tubs	120	110	100
(e) Duty included in imported price	16	22	20
<i>18-lb. Switches.</i>			
(a) Average selling price of 'Parry' switches	142	115	108
(b) Approximate cost of steel per switch	60	45	40
(c) Approximate duty included in above cost of steel.	6	11	10
(d) Average selling price of imported switch	110	95	85
(e) Duty included in imported price	22	19	17

Statement III.—Further Supplementary Statement, dated the 29th July 1925.

In response to your favour of 23rd instant, we now enclose statement made up on the lines required, which we trust will meet your Board's requirements.

Costs given are based on import prices at the dates specified as against figures already given, which were based on actual costs which apart from exchange and duty were affected by local market conditions.

		Standard Tip Wagon.	Standard Coal Tub.	18-in Switches
		Rs. 7.25 cwt.=66	Rs. 7.8 cwt.=68	Rs. 6.4 cwt.=51
(1). Landed cost of unfabricated steel, including wheels	{	End 1923		
		July 1925	57	45
(2). Duty included in (1)	{	End 1923	7	5
		July 1925	12	11
(3). C.I.F. cost of imported manufactured articles	{	End 1923	120	90
		July 1925	90	60
(4). Duty payable on (3)	{	End 1923	18	9
		July 1925	22	15
A. Increase in duty on unfabricated steel . . . . .	..	..	-5	-6
B. Increase in duty on imported manufactured article . . . . .	..	..	+4	+6
C. Nett disadvantage to manufacturer . . . . .	..	..	-1	Nil.
D. Fall in landed cost of unfabricated steel . . . . .	..	..	+9	+6
E. Fall in C.I.F. cost of imported manufactured article . . . . .	..	..	-30	-30
F. Increase in duty on manufactured article . . . . .	..	..	+4	+6
G. Reduction in other costs to manufacturer . . . . .	..	..	+4	+1
H. Nett disadvantage to manufacturer . . . . .	..	..	-14	-17

MESSRS. PARRY AND COMPANY.

B.—ORAL.

Evidence of Messrs. W. O. WRIGHT, O.B.E., and M. CAMPBELL,
recorded at Calcutta on Wednesday, the 15th July 1925.

President.—We are much indebted to you, Gentlemen, for coming to give evidence to-day, and the reason why we were anxious that you should come was explained in the letter that was sent to you. What it comes to is this. It is easy enough to prove that owing to the changes that have occurred in the last 18 months, additional protection is likely to be required for certain things. In order to clinch the matter and in order that the case may be complete, it is very desirable that it should be shown, where possible, that additional protection is actually required. In the case of fabricated steel it is not altogether an easy matter to do, because the orders placed in Europe in one year may not be comparable with those placed in the previous year. Although there may be a substantial difference in the price per ton for the work, yet that might be explicable by something other than a fall in the price of fabricated steel generally. But in the case of the articles in which you are chiefly interested, it seemed possible to get something more definite. In the case of a coal tub or tipping wagon, it might be possible for you to say what was the price you could get in the latter half of 1923 when the Board was conducting its original enquiry and the price you can get now at the present time.

Mr. Wright.—That is what we have tried to do in this statement

Selling prices of Tip Wagons, Parry & Co. make.

Second half 1923.	1924.	1925.	
Rs. 170—155	Rs. 155—145	Rs. 145—140	Range of prices.
Rs. 160	Rs. 149	Rs. 142	Average price approx.

Selling prices of Continental wagons.

Rs. 145—140	Rs. 125—115	Rs. 120—110	Range of prices.
Rs. 143	Rs. 120	Rs. 115	Average price approx.

Materials for Tip Wagons.

Former Tariff.	Present Tariff.
Angles—10 per cent. on Rs. 135 = Rs. 13·5.	Rs. 30.
Channels—10 per cent. on Rs. 170 = Rs. 17.	Rs. 30.
Bars—10 per cent. on Rs. 135 = Rs. 13·5.	
Sheets $\frac{1}{4}$ "—10 per cent. on Rs. 175 = Rs. 17·5.	} Rs. 30. (increase cost approx. 17 per cent.)
Do. $\frac{1}{4}$ "—10 per cent. on Rs. 150 = Rs. 15.	

Tip Wagons.

Former Tariff.	Present Tariff.
15 per cent.	25 per cent. (increase about approx. 8.5 per cent.)

Selling prices of 18-lb. Switches by Parry & Co.

Second half 1923.	1924.	1925.	
Rs. 150—140	Rs. 130—110	Rs. 120—100	Range of prices.
Rs. 142	Rs. 115	Rs. 103	Approx. average.

Selling prices of Continental 18-lb. Switches.

Rs. 110	Rs. 95	Rs. 85	Approx. ave. age.
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Materials for Switches.

Former Tariff.	Present Tariff.
Light rails 10 per cent. <i>ad valorem</i> at Rs. 120 per ton = Rs. 12 per ton.	Rs. 40 per ton. (approx. increase cost 20 per cent.)

Switches.

Former Tariff.	Present Tariff.
10 per cent. <i>ad valorem</i>	25 per cent. <i>ad valorem</i> . (approx. increase cost 13 per cent.)

President.—In order to complete the examination of the question, having ascertained the difference in prices, one would then endeavour to ascertain the difference approximately in the cost of the steel that goes into the tipping wagon, to see whether you are worse off now than you were before.

Mr. Wright.—I think that that would satisfy us.

President.—You have given, in the statement which you just handed in, an average price of Rs. 149 for 1924 for tipping wagons.

Mr. Campbell.—We don't sell at a definite figure all the time.

President.—Are the works of your firm in Madras?

Mr. Wright.—They are in Calcutta.

President.—Only in Calcutta, or have you also got works in Madras?

Mr. Wright.—Our engineering interests (*i.e.*, manufacturing) are only in Calcutta.

President.—The foreign competition that you have to meet, is it mainly from the Continent?

Mr. Campbell.—Yes, mainly from the Continent.

President.—The statement showing the materials for a tipping wagon merely gives the duty per ton on the materials used.

Mr. Campbell.—It shows the difference in the position between the present tariff and the previous tariff.

President.—There is still the question of what the cost of the steel in the tipping wagon was in 1923 and what it is now. That element has to be taken into account. Owing to the fall in the price of steel, your costs must be lower to-day than they were in July 1924.

Mr. Campbell.—Yes.

President.—Without going into the question in any great detail, can you give me exact figures with regard to that? In the first place, what quantity of steel would go into a tipping wagon?

Mr. Campbell.—The average total weight of a finished wagon is 7½ cwt.

President.—But then, what is the weight of the steel used in making that wagon?

Mr. Campbell.—About 6½ cwt., allowing for scrap and so on.

President.—Is the steel that you actually use mainly imported from abroad?

Mr. Campbell.—We buy whatever we want wherever the market is favourable. There are only two sections which we have to import, because we cannot get them in India. Apart from that, we buy our requirements wherever the market is favourable.

President.—For the manufacture of tipping wagons, I take it that it is not important that the steel should be up to the British standard.

Mr. Campbell.—For our own protection we have to take that. If, for instance, the axles are of inferior stuff, they may break, and then, if the bodies of the tipping wagon are not of the proper quality, whatever is loaded might drop through the bottom; also materials would not stand up to processes of manufacture.

President.—In the statement, you have given angles, channels, bars and sheets as materials. Which would be the largest in weight of the materials used in the tipping wagon?

Mr. Campbell.—Roughly, it would be as follows:—

	Cwt.
Round bars	½
Miscellaneous small bars	½
Plates	2
Channels	1½
Angles	1½

Then there are miscellaneous things like rivets, etc.

President.—We want to get an idea what approximately the total cost of the steel is, and what is the total amount of the duty which is likely to be payable on it.

Mr. Campbell.—Yes.

Dr. Matthai.—By plates, do you mean both kinds of sheets?

Mr. Campbell.—Both, but the bulk of it will be ½" plates.

President.—You have given us the weight of plates as 2 cwts., but in the statement they are called sheets. Do they mean the same thing?

Mr. Campbell.—Yes.

President.—Taking the weight of the steel in a wagon roughly as a third of a ton, the cost of the steel in the wagon in 1923 would be about Rs. 50. I am taking an average figure of Rs. 150 per ton. Do you think it would be a little more than that?

Mr. Campbell.—It would be a little more, because there are channels and other special sections.

President.—There will be extras on special sections.

Mr. Campbell.—Yes, in addition to the base price.

President.—Would Rs. 160 be a reasonable figure?

Mr. Campbell.—Roughly I should say, yes.

President.—What would be the corresponding price to-day?

Mr. Campbell.—Do you mean the landed price of the materials?

President.—What I am getting at is this. Two things have happened since 1923. The duty has gone up but, on the other hand, there has been a fall in the price of both Continental and British steel and a rise in the exchange, and these factors must have more than counterbalanced the higher duty.

Mr. Campbell.—I should say it would be somewhere about Rs. 130 to Rs. 140.

President.—If you take Rs. 135 as a mean figure, there is a difference of Rs. 25 a ton in the cost of your steel, but on the quantity of steel used in a wagon, the difference would be about Rs. 8 to Rs. 9. Would that be approximately right?

Mr. Campbell.—You are not far out. There are other items besides the price of steel that will affect the cost.

President.—Of the other materials, are there many that are imported?

Mr. Campbell.—We import wheels.

Dr. Mathai.—Do you import the axle?

Mr. Campbell.—We import steel for axles and wheels. We also buy a certain amount of wheels out here, but we can buy cheaper in the Continent.

President.—What kind of wheels you are speaking of?

Mr. Campbell.—Cast steel wheels.

President.—The Electric Steel Works people are making cast steel in this country.

Mr. Campbell.—The manufacture of steel for this kind of work is a special business by itself and the people who do that do nothing else.

President.—Taking the total cost of a wagon, would the cost of the various sections of steel that you have given be about a third?

Mr. Campbell.—What do you mean by cost—manufacturing cost or selling price?

President.—I think for our purpose selling price will do.

Mr. Campbell.—It is quite possible to give you full information about it, but it would do a great deal of harm to us.

President.—I don't want to pursue the question deeply. Would the cost of the various steel sections that you have given be a third of the total cost?

Mr. Campbell.—Slightly more than that. The cost of steel only would be about 40 per cent. of our average selling price.

President.—What I was going on was the figure of Rs. 135. Would it be about Rs. 45 a wagon or more?

Mr. Campbell.—It is very nearly 40 per cent. of our selling price.

President.—Are these prices which you have given in the statement the prices at which you have actually sold tipping wagons?

Mr. Campbell.—Yes.

President.—If it is Rs. 142, 40 per cent. would be Rs. 57.

Mr. Campbell.—Yes.

Dr. Matthai.—What other materials do you use besides steel?

Mr. Campbell.—Iron bearings, etc.

Dr. Matthai.—Not much?

Mr. Campbell.—That comes to about half a cwt.

President.—Steel is very much the most important thing?

Mr. Campbell.—Steel and axles are very important.

President.—I don't think you have said in your letter definitely what you are asking the Board to do.

Mr. Campbell.—What we supposed was we should make no suggestions on that.

President.—The questions we have been asking have a bearing on the question of how much is required. In this enquiry we are not re-opening the whole question, which we examined at the beginning. The point is rather this. The protection which can be justified at the moment is the amount which would put you back where you would have been, if the exchange had stood at 1s. 4d. instead of 1s. 6d. and if there had been no fall in the price of steel in Europe. We could not go further than that.

Mr. Campbell.—The duty on the tipping wagon and coal tub is now 25 per cent. If the duty were to be increased to 40 per cent., it would put us approximately where we were as regards duty. We do not know what the exchange is going to be or anything like that.

President.—I want to bring that into relation, if I can, with the figures that you have given us.

Mr. Campbell.—The increased duty on the bulk of the materials we use has increased their landed cost by about 17 per cent., whereas the landed cost of an imported wagon has only increased by about 8½ per cent.

President.—If the duty at present were on the old 10 per cent. basis, it would probably be something like 12 to 13 rupees a ton.

Mr. Campbell.—On steel, yes.

President.—Taking that as a rough figure, the average value of imported steel without duty would be about Rs. 120. You say that the duty on raw materials has been increased to Rs. 30 to 40 per ton. The only article that carries a duty of Rs. 40 per ton is bars which account for ¼ of the total imports, so practically the average is not much above Rs. 30. The increase in the duty is about Rs. 18 per ton and, therefore, it is about Rs. 6 to 7 per tipping wagon.

Mr. Campbell.—About that.

President.—I am afraid I do not quite see how you arrived at the 40 per cent. I have got no alternative figure to suggest myself. It takes a little time to digest these figures and see how they work out. It is desirable that you should attempt to show what has actually happened.

Mr. Campbell.—As I said before, it is all a question of price. We are up against the Continental competition which seems to cut the prices pretty well to suit the tariff. You cannot very well put your finger down and say that this will help you.

President.—Take the selling price of Continental wagons which has come down to Rs. 115 from Rs. 143. The rise in the exchange will itself account for a drop of Rs. 16, supposing there is no other change in the price, and, therefore, the balance is only about Rs. 12, which is the rest of the drop in the price. But you have got to take into account the fact that the duty is now higher. It was 15 per cent. on tipping wagons. It has now gone up to 25 per cent.

Mr. Campbell.—That amounts to an increase in the landed cost of 8½ per cent.

President.—Are the prices you have given for Continental wagons duty paid?

Mr. Wright.—They are selling prices.

President.—In that case, you have to deduct the duty.

Mr. Campbell.—Yes, assuming that they made no profit on the landed price.

President.—Whether they make a profit or not, one does not enquire. At the present juncture, people are not making much out of the Steel industry. I think that it is very much the same all the world over except perhaps in America. It is a little difficult to compare all the figures together and see how they work out, but I should be glad if you would think it over and let us have a statement before the end of this week showing how you arrived at 40 per cent.

Mr. Wright.—We will do so.*

Mr. Campbell.—The point of our position is with reference to the change in the cost of the materials, leaving exchange out of consideration. Whichever way you look at it, it will affect us all the same.

President.—I don't quite see how you are going to leave exchange out of consideration.

Mr. Campbell.—Duty affects some, whereas exchange affects everybody.

President.—The point would be this. Inasmuch as the price of your materials—whether it is a tipping wagon or coal tub—is regulated by the cost of importation, it goes up and down with the world price of steel.

Mr. Campbell.—Yes.

President.—In that case, it is difficult to explain, unless it can be shewn that the fall in the price of Continental steel has been greater than the fall in the price in India. There still remains the cost of the work that you do in this country. Translated into rupees, the cost of fabrication by European manufacturers has fallen. It may be the same in sterling or in francs but it has fallen when you state it in rupees. That is where the exchange affects you unfavourably. It is not necessary to give any details of the cost above materials, but if you are prepared to tell us what the total cost of the materials is, that would be a helpful figure.

Mr. Wright.—Yes, we shall send it to you later.†

Dr. Matthai.—What is your general impression as to the cost of fabrication? Has it changed?

Mr. Campbell.—The cost of fabrication is steadily going down. If we can get all the business that is to be had in the country, we should bring our cost considerably down.

President.—That is to say, it is a question of mass production.

Mr. Campbell.—Yes, we never make tipping wagons in lots of less than 100 wagons at a time.

Dr. Matthai.—What is the position about wages? Have they gone down or up?

Mr. Campbell.—We have not had any change in wages for a considerable time. Things have fairly settled down.

President.—There has not been any marked change since 1923?

Mr. Campbell.—No. We have a bonus system that works very well. We have a fairly contented staff in that way.

President.—Would it also be possible for you to let us have a similar statement for the coal tub with the additional information that we have asked

* See Statement II, Enclosure I.

† *Ibid*, Enclosure III.

for this morning? Take some type which you think is the most representative one.

Mr. Campbell.—Yes.*

Dr. Matthai.—Have you got any idea of the total Indian demand for tipping wagons, approximately?

Mr. Campbell.—When things are moving, the demand will be for about 5 to 10 thousand coal tubs.

President.—The business is slack just now?

Mr. Campbell.—Yes.

Dr. Matthai.—And what will be the demand for tipping wagons?

Mr. Campbell.—It depends on the amount of construction going on in the country. If there are large irrigation schemes and extensions of railways going on in the country, the demand for tipping wagons runs into several thousands.

Dr. Matthai.—What proportion of it is made by manufacturers in India?

Mr. Wright.—About 50 per cent. at the outside.

President.—There are other firms making coal tubs in India?

Mr. Campbell.—Yes, but as regards tipping wagons, nobody else is manufacturing.

President.—I don't remember anybody else suggesting in our original enquiry that the manufacture of tipping wagons was of importance to them.

As regards the sale of tipping wagons, do you find the position more difficult now than it was in 1923, or do you think that it was more difficult then?

Mr. Campbell.—We find it more difficult now than during the period of war and soon after.

President.—I am not talking of the period when the war was on.

Mr. Campbell.—During the period of the war, we acquired business connections who dealt with us steadily for a considerable time in spite of increasing competition. Our buyers were in the habit of coming to us, but we have since been getting a smaller share of the business going in this line.

President.—Did you notice any change for the better when the Steel Industry (Protection) Act was passed?

Mr. Campbell.—Very little, because as each change was made it left us with a little more disability than the tariff before that. The very first tariff put us in difficulties, the second one helped us only very little and the third one put us still worse. Each tariff has put us worse than the one before, as far as the manufacture of tipping wagons is concerned.

President.—You have also got an increased duty on the finished material.

Mr. Campbell.—That amounts to an increase in the landed cost of the finished wagon by about 8½ per cent., whereas the increase in the landed cost of the materials is about 17 per cent. In each case it has been worse than the one before. It is not intentional, I realise, but it has happened so.

President.—There is also this to be said that, when the duty on tipping wagons was 15 per cent., the duty on the steel forming raw materials for the wagon was 10 per cent., so that the rise in the duty from 15 to 25 per cent. on the finished tipping wagon was not a big rise.

Mr. Campbell.—Yes. We have not mentioned at all in our letter the case of light structural steel.

President.—As regards that, your position is the same as that of the other firms.

Mr. Campbell.—Yes.

* See Statement II, Enclosure IV.

President.—If there is anything you would like to tell us about that, we would be very glad to hear.

Mr. Wright.—I don't think that we have anything further to add to what has been said by other people.

President.—I should like to know more about switches. In their case the duty went up from 10 to 25 per cent. You have given us your selling price as Rs. 108. It is all steel, I suppose.

Mr. Campbell.—Yes.

President.—How much steel have you got to use in making it? There must be some wastage in that?

Mr. Campbell.—Speaking from memory, it will be about 5 cwts.

President.—Why are they called 18-lb. switches?

Mr. Campbell.—That refers to the section of the rail; 18 lbs. per yard. I have simply taken this particular type as representative.

President.—Are you interested only in small switches?

Mr. Campbell.—We make switches up to 41½ lbs.

President.—In this case also, it would be useful if you could indicate what additional duty you are asking for and how you arrived at it.

Mr. Wright.—Yes.*

President.—Then, I notice, that in the case of both tipping wagons and switches you are able to realise a higher price than is paid for the imported wagons and switches.

Mr. Campbell.—Yes, but we do not always get the business. We miss it on occasions.

President.—It comes rather to this, does it not, that if you insist on a higher price, you restrict the number of your purchasers.

Mr. Campbell.—Yes, to a certain extent.

President.—In order to sell your full output or the full quantity that you can make, you have to come down lower.

Mr. Campbell.—Yes.

President.—What this must mean is that there are certain purchasers who are willing to pay a higher price in order to get your wagons. Because you are known to make to the British standard, there is a greater guarantee of safety.

Mr. Campbell.—There are various reasons for that. Take the case of a tapping wagon. The imported wagons are all brought out in bundles of five frames or bodies. These are all bolted up, whereas we rivet our wagons and consequently they are more reliable. Further there are good many buyers who believe in being in close touch with suppliers, and again there are buyers who buy a little different from the standard wagons.

President.—In any case, they would get supplies from you more quickly.

Mr. Campbell.—Yes.

President.—Then, as regards switches, there is the same difference between your price and the Continental price.

Mr. Campbell.—Yes, there is.

President.—Is the explanation similar?

Mr. Campbell.—It is more difficult to nail that down. We find we are very often in competition with the Continental article, and that purchase is made on price alone, owing to inability to compare specifications offered.

* See Statement III.

Witness No. 6.

INDIAN ENGINEERING ASSOCIATION.

Statement I.—Representation, dated the 2nd January 1925, to the Government of India, Department of Commerce.

I am directed to refer to the question of the extension of protection to the steel manufacturing industry in relation to fabricated steel.

2. The Committee of the Association have read the report dated 8th November 1924 by the Tariff Board, and also your Department's resolution No. 260-T. (15), dated 27th November 1924. It is made clear by the Tariff Board in paragraphs 65 to 68 of their report that the recent advance of the sterling exchange from *1s. 4d.* to *1s. 6d.* is equivalent to a reduction of Rs. 10 per ton in the cost of imported fabricated steel. This reduction means of course that Indian engineering works are now fabricating material under a serious disability, inasmuch as there has been no corresponding reduction in the cost of manufacture.

3. The proposals set forth by the Tariff Board in their report were designed to remove this disability. But, so far as the Committee of the Association understand, there is no provision to that effect in your Department's resolution No. 260-T. (15), dated 27th November 1924. The matter is however one of very serious importance to all Indian engineering works, and the Committee have therefore no hesitation in bringing it prominently to your notice. They trust that it will be favourably considered by the Government of India, and that the necessary remedial measures will be undertaken.

Witness No. 7.

MESSRS. JESSOP AND COMPANY, LIMITED.

A.—WRITTEN.

Statement I.—Letter, dated the 28th May 1925.

We are in receipt of your No. 243 of May 23rd requesting us to give the Board information as to the c.i.f. sterling cost from October 1924 to May 1925 of certain steel sections.

We enclose a statement giving this information, but we wish you to treat it as confidential.

We have only imported Black British and Continental Sheets during October and November respectively and therefore we are unable to furnish you with figures for these items during the other months.

We note that as soon as the Government of India direct the commencement of the Board's enquiry, an opportunity will be given us of placing our views before the Board.

Enclosure.

Statement of Approximate C. I. F. cost of Steel Sections from October 1924 to May 1925.

	October.	November.	December	January.	February.	March.	April.	May.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
British—								
Beams	9 0 0	9 0 0	9 0 0	9 0 0	8 15 0	8 12 0	8 12 0	8 8 0
Angles	9 2 6	9 0 0	9 0 0	9 0 0	8 15 0	8 12 0	8 12 0	8 8 0
Bars	9 2 6	9 0 0	9 0 0	9 0 0	8 15 0	8 12 0	8 12 0	8 8 0
Plates	10 2 6	10 0 0	10 0 0	10 0 0	10 0 0	10 0 0	9 10 0	9 10 0
Galvanized Corrugated Sheets .	18 15 0	18 5 0	18 5 0	18 0 0	17 5 0	17 5 0	17 5 0	17 5 0
Black Sheets	14 0 0	..	..	..	..	..	..	..
Continental—								
Beams . . . . .	..	..	6 5 0	6 15 0	6 10 0	6 10 0	6 10 0	6 8 0
Angles	6 5 0	6 12 0	6 10 0	6 15 0	6 15 0	6 12 0	6 12 0	6 15 0
Bars	6 5 0	6 12 0	6 10 0	6 15 0	6 15 0	6 12 0	6 12 0	6 15 0
Plates	7 8 0	7 15 0	7 15 0	8 0 0	8 0 0	7 18 0	7 15 0	7 15 0
Black Sheets . . . . .	..	9 18 0	..	..	..	..	..	..

Statement II.—Letter dated 6th July 1925.

With reference to the communique No. 260-T. (37), dated June 18th, issued by the Government of India, and to your No. 316, dated July 2nd, 1925, we have pleasure in presenting to you certain facts with regard to fabricating steel only upon which we have based our conclusions that the present duty of 25 per cent. *ad valorem* on Fabricated Structural Steel should be raised. In the figures given it has been assumed that the duty of Rs. 30 per ton on Steel will not be altered.

During the Tariff Board's first enquiry we submitted written statements and we were examined orally so we propose to deal only with the conditions prevailing since, that is, from March 1924.

The main factors that have completely changed the situation are the fall in price of British steel, high exchange and the British Trade Facilities Act.

The fall in price of British steel has the effect of increasing the resulting percentage duty on steel to the local manufacturer in relation to the 25 per cent. *ad valorem* duty on imported fabricated structural steel.

When the tariff on Fabricated steel was placed at 25 per cent. *ad valorem* and on raw material at Rs. 30 and Rs. 40 per ton, raw material was taken at Rs. 145 per ton c.i.f. Calcutta or 20·7 per cent. and 27 per cent. respectively, the *ad valorem* being 25 per cent.

The position is now greatly altered as British steel can be bought at Rs. 115 per ton c.i.f. Calcutta and Rs. 30 per ton on Rs. 115 is 26 per cent. and Rs. 40 per ton on Rs. 115 is 34½ per cent., while the *ad valorem* duty remains at 25 per cent.

The result of a high exchange is obvious and the advantages to be gained for the British Manufacturer owing to the Trade Facilities Act can readily be ascertained.

The Board arrived at the conclusion in their report of March 1924, that their average costs of British and Indian Fabricated Steel were Rs. 250 per ton and Rs. 310 per ton respectively, hence the duty 25 per cent.

The present cost per ton, commencing from the same basis, at 1s. 6d. exchange and allowing for reduction owing to the Trade Facilities Act is as follows:—

British cost exclusive of duty—

	Rs. A.
Material plus 10 per cent. wastage	120 8
Conversion	80 0
	<hr/>
	206 8
Reduction secured by purchaser owing to Trade Facilities Act	31 0
	<hr/>
	175 8

Indian cost using British material—

Material plus 10 per cent. wastage	126 8
Reduction secured by purchaser owing to Trade Facilities Act	19 0
	<hr/>
	107 8
Duty plus 10 per cent. wastage	33 0
Conversion	117 0
	<hr/>
	257 8

Indian cost using Tata Material—

	Rs. A.
Material+10 per cent. wastage	159 0
Conversion	117 0
	—
	276 0

Indian manufactures of British material are 46½ per cent. above the British cost and Indian manufactures of Tata material are 57 per cent. above British cost.

We regret we are unable to give the fullest information in reply to all the queries raised in paragraph 2 of your letter referred to above.

- (1) It is seldom we are able to ascertain the prices at which orders have been secured by European Firms—the reply we invariably receive is that “the order is going home at a lower rate.” As to how the price has been arrived at, what exchange has been taken and what benefits have been secured by the Trade Facilities Act, we are entirely in the dark.
- (2) British steel has fallen in price by a total Rs. 30 per ton of which the fall due to exchange is Rs. 15 per ton.
- (3) We have no information as to the countries supplying Fabricated Steel, the hard fact we invariably have to face is that the indent is sent to the Stores Department in London for placement at a lower price.
- (4) Our costs for fabricated steel have fallen approximately Rs. 30 per ton since the Tariff Board's first report. Engineering Firms in India are less favourably situated in this respect than firms in the United Kingdom. The fall in price of unfabricated steel in both cases is the same but the British Manufacturer has the advantage of not only a high exchange on his conversion cost but also the full benefit of the British Trade Facilities Act and the figures we have quoted above clearly show this.
- (5) The question of value is of greater importance than class at the present time and British competition is very keen for all classes of Fabricated Steel over a value of Rs. 15,000.

We also find that Government Workshops are daily increasing their activities to the exclusion of individual enterprise.

We do not believe that the various purchasing Officers have a sufficient knowledge of the subject to make a fair comparison of prices, hence a complete system of purchasing in India at rupee prices is essential.

To summarise our conclusion, we suggest, the assistance now necessary to local industries is:—

- (1) The existing 25 per cent. *ad valorem* duty on fabricated steel should be increased to either 57 per cent. or to only 34 per cent. *plus* a provision against the Trade Facilities Act.
- (2) Curtail such Government enterprises as Railway Workshops.
- (3) A complete system of purchasing in India at rupee prices and the results of tenders to be published.

We can supply you with any further particulars required and we shall be pleased to give oral evidence.

Our representation regarding wagons and underframes will be forwarded to you under a separate cover.

Statement III.—Letter, dated 11th July 1925.

Referring to your No. 343 of July 9th.

As the Board make such a strong point of concrete examples, we have made further enquiries and we now instance two cases showing a comparison between British and Indian tenders for Bridgework during the latter half of 1924 and early 1925.

We are by no means sure of the British prices and we are merely citing the figures from hearsay.

Our tender dated November 29th, 1924, for E. I. Railway for 54 spans of 60 ft. girders.

	Rs.
Material plus 10 per cent. wastage	143
Trade expenses on material 10 per cent.	143
Labour	40
Trade expenses on labour 250 per cent.	100
	297.3
Profit 10 per cent.	29.7
	327

Price quoted Rs. 315 per ton.

The total value of this tender was Rs. 476,900 and we received an order for 30 spans out of the 54.

The British price was, we understand, Rs. 481,500 at exchange 1s. 4d.

Our tender dated January 28th, 1925, for Central Indian Coalfields Railway for 60 ft. and 40 ft. span girders.

	Rs.
Material plus 10 per cent. wastage	159
Trade expenses on material 10 per cent.	15.9
Labour	40
Trade expenses on labour 250 per cent.	100
	314.9
Profit 10 per cent.	31.4
	346.3

Price quoted Rs. 340 per ton.

The total value of this tender was Rs. 10,84,793 but the whole order went to the British manufacturers at the equivalent of Rs. 275 per ton delivered at Ranchi.

In the case of the E. I. Railway tender, we were able to get the Tata Company to co-operate with us, as it was at a time when they were very short of orders for plates.

When, however, the C. I. C. Railway were in the market the Tata Company had a full order book and would offer no concessions.

There is not sufficient time at our disposal before appearing for oral examination to compile a comparative statement showing the 1923 and 1925 prices for all the fabricated steel articles given by us on page 432 of Volume II of the evidence recorded in your first enquiry and we trust the two cases we have illustrated will be valuable evidence for the Board.

Statement IV.—Letter, dated 15th July 1925.

We understood when giving oral evidence on the 13th instant that the Board required more information with regard to the operation of the Trade Facilities Act and we stated we would endeavour to obtain further particulars.

2. We now have pleasure in enclosing a copy of an Explanatory Statement and Questionnaire issued from 17, Throgmorton Avenue, London, E.C. 2, by the Trade Facilities Advisory Committee to applicants for guarantees, also a memorandum for the guidance of applicants for grants under Section 11 of the Trade Facilities Act, 1924, issued from 3, Bank Buildings, Princes Street, E.C. 4.

3. These explanatory statements clearly show the main advantage to be gained by the use of the Act, *viz.*, to enable an applicant to obtain money on better terms than he otherwise would be able to do.

4. As regards the specific reductions we made in our illustrations under cover of our C. I. R., dated 6th instant. We adopted the figure 13·4 per cent. from an actual comparison of tenders made by the Port Commissioners and added 1·6 per cent. to make Section 11 of the Act operative as the Port Commissioners did not obtain advantage of this section of the Act.

5. It is reckoned that the figure of 13·4 per cent. was arrived at as follows:—

A 30 year loan in London in March this year was floated at 4½ per cent. interest under the Trade Facilities Act at a discount of 4 per cent. which we estimate would give a net return of £92 per £100 Bond, as against a public loan at any 5 per cent. with a net return of £86·1 per £100 Bond.

Therefore the annual cost of 4½ per cent. Trade Facilities Loan would be 6·2536 per bond; equals 6·79 per £100 cash, as against the annual cost of a 5 per cent. public loan of 6·7536 per bond, equals 7·84 for £100 cash. In both cases the sinking fund is assumed to be on a 4 per cent. basis. This difference in cost represents an advantage of 13·4 per cent.

We trust this is the explanation the Board required.

Enclosure I.

Explanatory statement and questionnaire issued by the Trade Facilities Act Advisory Committee to applicants for guarantees.

17, Throgmorton Avenue,
London, E.C. 2.

1. In accordance with the Trade Facilities Acts, 1921 and 1922, the Treasury is empowered, on the advice of an Advisory Committee operating at this address, to guarantee the principal and interest of any loan proposed to be raised by any Government, any Public Authority, or any Corporation or other body of persons for the purpose of carrying out capital undertakings.

The attention of applicants is particularly drawn to the following:—

(a)* The Treasury can only guarantee loans—they have no power to make a loan of any kind. The advantage of the guarantee is

*Local authorities and statutory bodies not trading for profit requiring advances towards expenses are reminded that, under schemes administered by the Unemployment Grants Committee, 23, Buckingham Gate, S.W. 1, part of the charges involved in approved works may, under certain conditions, be met by the State.

Attention is also drawn to the fact that the Public Works Loan Commissioners of Old Jewry, London, E.C. 2, have certain powers of granting loans to Local Authorities and other bodies and persons. Particulars as to the purposes for which, and the terms upon which, such loans may be granted, can be obtained from the Public Works Loan Commissioners direct.

that with the aid of the Government credit so given the applicant should be enabled to obtain money on better terms than he otherwise would be able to do. The Committee and the Treasury indicate the quarter in which the loan is to be raised.

- (b) The Treasury have no power to guarantee a loan which is to be used in whole or in part for the provision of working capital. The whole of the guaranteed loan must be used solely for the purpose of carrying out works of a capital nature.
- (c) The Treasury have no power to give a guarantee in respect of any loan which will be used wholly or in part for the purpose of extinguishing existing liabilities or commitments.
- (d) The Treasury have no power to guarantee ordinary or preference shares.

2. Applicants should supply information on the following points:—

- A. General particulars as to the total amount and purpose of the proposed loan, its term, and the suggested method of repayment.
- B. The expected benefit as regards employment, giving information as to the particular industries which will be affected, and the approximate date of commencement and the period of employment. If possible, an estimate should be given of the number of men who will be employed weekly during the first three months after work is commenced and subsequent periods (classified as far as practicable according to trades and localities).
- C. Charges which can be given as security.

On this point, the Committee desire information as to the assets and revenues which will be available as security and particulars of any existing charges thereon. These particulars should be supplemented by copies, if available, of the audited Balance Sheets and Profit and Loss Accounts for the past five years, and supplemented by a statement for the same period showing clearly the yearly net profits remaining after meeting all outlays and provisions (including Depreciation, Excess Profits Duty and Corporation Profits Tax), and interest and Sinking Fund instalments on all Debentures, etc., which will rank prior to the proposed loan.

- D. The additional yearly net revenue expected to be earned as a result of the proposed expenditure.
- E. From what source it is proposed to pay the interest on the loan during the period of construction, *e.g.*, whether out of existing funds or out of the proceeds of the loan.
- F. Evidence that the undertaking can be completed for the sum estimated.
- G. Particulars as to the preliminary formalities, if any, which will be necessary before issuing the loan or commencing the work (*e.g.*, Sanction of Parliament, Meetings of Debenture Holders, Shareholders, etc.).
- H. Particulars of any attempts which have already been made to finance the scheme, giving details of the terms which could have been obtained.

3. In accordance with the Trade Facilities and Loans Guarantee Act of 1922, the Treasury is empowered to charge fees as follows:—

“For the purpose of meeting the costs and expenses incurred by the Treasury in administering the said section one, there shall be charged in connection with applications for and the giving of guarantees under the said section, and other matters arising thereunder, such fees as the Treasury may from time to time prescribe.”^v

Enclosure II.*Memorandum for the guidance of applicants for grants under Section II of the Trade Facilities Act, 1924.*

I. In accordance with Section 2 of the Trade Facilities Act, 1924, arising out of the discussions at the Imperial Conference, the Treasury are authorised, subject to certain terms and conditions, to make a contribution of an amount not exceeding three-quarters of the interest payable in the first five years of the currency of a loan raised in the United Kingdom by or on behalf of any Public Utility undertaking in any part of His Majesty's Dominions. All payments under this section will be made to the Government of that part of His Majesty's Dominions. In no case will the Treasury contribution be paid direct to any Company or Municipality.

II. The Capital sum on which the contribution is based will be limited to the cost of the materials to be purchased and manufactured in the United Kingdom.

III. The Treasury have set up a Committee to advise them of the cases in which they can properly make contributions. The Committee consists of representatives of the Treasury, the Board of Trade, the Colonial Office, and the India Office.

IV. The Committee think it useful to indicate broadly the information which will be required at the outset:—

- (A) Details of the scheme with information as to the total cost and the part of the total cost in respect of which assistance is required, and information as to the economic justification or desirability of the project.
- (B) Evidence to show that the whole scheme can be financed, particulars of the orders to be placed in the United Kingdom and evidence that the prices to be paid for the same are fair and reasonable.
- (C) Evidence that the scheme is approved by the Government concerned and that the expenditure involved in the scheme is in anticipation of expenditure which would normally have been incurred at a later date.

V. In order that the Government concerned may be fully informed and their approval to the scheme obtained without unnecessary delay a duplicate copy of the application should be sent to the Government at the same time as application is made to the Committee.

VI. In the event of the Committee in their discretion requiring legal or technical advice in the consideration of any application the cost of obtaining such advice will have to be met by the applicant.

VII. In accordance with the Trade Facilities Act, 1924, the Committee wish to point out that this scheme is available only in respect of Public Utility undertakings which are defined as undertakings for providing and/or improving communications, drainage or irrigation or for providing power lighting or water. The Committee also wish to point out that the Act requires that the Treasury contribution shall be confined to loans raised in the United Kingdom. Particulars of the total amount and terms of the proposed loan, showing how such is to be obtained, will be required by the Committee.

VIII. The attention of applicants is also drawn to the following overriding conditions:—

- (1) The total sum payable by the Treasury must not exceed £1,000,000 in any one year.
- (2) The total sum payable by the Treasury must not exceed £5,000,000 in all.

- (3) No undertaking by the Treasury to give assistance can be given after three years from the commencement of the Trade Facilities Act, 1924, i.e., after 14th May, 1927, or in respect of a loan to be raised thereafter.

IX. All applications should be addressed to the Secretary of the Committee at the Trade Facilities Act Offices, 3, Bank Buildings, Princes Street, London, E.C. 4. Telephone number, City 3151. Telegraphic address, Faciltrade Stock, London. Cable address, Faciltrade, London.

Statement V.—Letter dated 16th July 1925, submitting supplementary statements.

Since writing our No. C. I. R. of the 15th instant we have received your No. 365 of the same date forwarding us a copy of the record of evidence tendered by our representative before the Board on the 13th instant, and we now return herewith the copy duly corrected where necessary.

2. Our letter quoted above deals fully with the question of the Trade Facilities Act and we enclose an extract from the Proceedings of the Port Commissioners Meeting on April 27th, 1925, relating to a tender for Well Curbs which was placed with the British Manufacturers owing to the benefits of the Act.

3. We are afraid it will take some days to compile a comparative statement showing the 1923 and 1925 prices for all the fabricated steel articles given by us on page 432 of Volume II of our first evidence. We were under the impression that the concrete examples quoted in our No. C. I. R. of July 11th and handed to the Board as noted on page 37 of the copy of the evidence were sufficient after we had explained that they were a direct comparison with the illustration given on page 436 of Volume II.

4. The three sets of figures in tabulated form would be as follows:—

(1) 1923.

Illustration as per page 436, Volume II.

Jessop & Co.'s tender	Rs. 390 per ton.
British tender the equivalent of .	Rs. 284 per ton at 1s. 4d. exchange exclusive of duty.

(2) 1925.

Illustration as per page 2 of our letter No. C. I. R., dated July 11th, 1925.

(a) Jessop & Co.'s tender	Rs. 315 per ton.
British tender the equivalent of .	Rs. 318 per ton at 1s. 4d. exchange and duty 25 per cent.
(b) Jessop & Co.'s tender	Rs. 340 per ton.
British tender the equivalent of .	Rs. 275 per ton at current exchange and duty 25 per cent.

5. The fall in our price from Rs. 390 per ton in 1923 to Rs. 315 and Rs. 340 per ton in 1925 is accounted for by a fall in the cost of steel of Rs. 52 per ton and Rs. 36 per ton respectively, and by reducing our estimated profit in one case by Rs. 20 per ton and the other Rs. 14 per ton.

6. In one only of these instances did we receive an order and then only by a narrow margin that was with exchange 1s. 4d. and duty 25 per cent. and by tendering on a profit of less than 4 per cent.

Enclosure.**CALCUTTA PORT COMMISSIONER.****KING GEORGE'S DOCK.—TENDERS FOR WELL CURBS.**

Read the following:—

Letter No. 114, dated the 4th April 1925, from the Chief Engineer to the Chairman.

On the 16th March 1925, tenders were called for from six firms for the supply, delivery and erection of Nos. 6 steel well curbs measuring 40' x 24' and Nos. 40 steel well curbs measuring 40' x 17' together with reinforcements required for the floor of the Dry Dock—King George's Dock—in accordance with Plans Nos. E. 161/A, E. 162/A and E. 163.

2. Tenders were received from four firms on the 31st March 1925, and are shown in the attached tabulated statement.

3. The lowest tender in rupees is that of the Kumardhubi Engineering Works Ltd., for Rs. 1,34,346 while Messrs. Braithwaite & Co., Engineers Ltd., offer curbs of an alternative design at £6,325-14-0, payable in London against documents, plus Rs. 48,394. The rate of exchange at which the Kumardhubi Engineering Works' tender would be equal to that of Messrs. Braithwaite & Co., Engineers Ltd., would be 1s. 5.65d.—or practically the current rate. Taking into account, however, the benefits of the Trade Facilities Act, the rate of exchange which would make both tenders equal would be 1s. 3.28d. As there is no objection to Messrs. Braithwaite & Co.'s alternative design it is recommended that an order be placed with them for the supply, delivery and erection of 46 steel well curbs with reinforcements in accordance with their drawings Nos. 111/25/1 and 111/25/2 at a total cost of £6,325-14-0 payable in London against documents plus Rs. 48,394. The erection of the well curbs is to be completed in 23 weeks from the date of the receipt of the order under a penalty at the rate of one-half per cent. of the total value of the unerected portion of the contract for each and every day's delay in erection after the expiry of the due date.

MESSRS. JESSOP AND COMPANY, LIMITED.

B.—ORAL.

Evidence of Mr. C. I. RODDICK recorded at Calcutta on Monday,
the 13th July 1925.

President.—I should like to thank you in the first place for sending us information about prices and also for your letter in which you explain the reasons why you are asking for an additional duty on fabricated steel. I should like to explain why the Board found it necessary to write again and see whether we could not obtain more information. The Board made certain recommendations for an increase in the duty on fabricated steel last November. At that time owing to the limitation of time, we had no opportunity of taking the evidence of the Engineering firms. Our recommendation therefore was based on what might be called theoretical grounds. Certain changes having taken place in the rupee sterling exchange and also in the price of unfabricated steel, it followed that certain change must have taken place in the price of fabricated steel. That recommendation was not accepted by the Government of India. Therefore it seems to the Board important that the matter has to be fully examined on its merits. It is important that we should get a little more practical evidence. In this letter of yours such evidence is lacking. The evidence that would fully establish the case is definite evidence as to the price of fabricated steel.

Mr. Roddick.—I have got further information for you.

President.—I want you to realise that you have not only got to satisfy the Board but somebody else.

Mr. Roddick.—Quite so.

President.—You ascribe the difficulties, which you find at present, to three causes, *viz.*, the fall in the price of British steel, the rise in the rupee sterling exchange and the Trade Facilities Act. About the exchange I don't think there is anything to ask. I don't suppose that anybody doubts the effects regarding the exchange. The Tariff Board's original proposals were on the basis of 1s. 4d., whereas the exchange now stands at 1s. 6d., and seems likely to remain in that neighbourhood. Therefore, I come at once to the price of British steel. In the letter which we wrote at the beginning of the month * to the Engineering firms, we mentioned certain points that we would like to hear about. One of them was whether there had been any increased Continental competition. I gather from your letter that, as far as you know, there has not been. At any rate you don't say that there has been.

Mr. Roddick.—No, not in fabricated steel.

President.—I want to explain why that question was asked. The recommendations made by the Board last November could have been criticised on the ground that, in calculating the fall in the price of steel in India, the Tariff Board had taken into account the big fall in the price of Continental steel and the effect produced by the substitution of Continental steel for British steel.

Mr. Roddick.—We maintain that it does occur.

President.—I have not yet fully stated my point. Therefore, if the competition in fabricated steel was coming mainly or almost entirely from Britain, it might have been said that at that time the price of British steel had not fallen so much as the price of steel in India and that while, so far as the exchange was concerned, the Indian Engineering firm was at a greater disadvantage, there could be set off against that the fact that the British engi-

* Letter, dated the 2nd July 1925.

neering firm was paying more for steel. That was the reason why the question regarding the price of Continental steel was raised at all, and I may mention that at the time when the letter was written, I had not had time to study such statements of prices as we had received from various firms. It is clear that since the Board reported in November last, there has been a substantial fall in the price of British steel. Assuming that the criticism of the Tariff Board's recommendation which I had mentioned was valid, at any rate the conditions have changed since then and we are now on a new footing. The first point I want to ask you about is this. What we said in our Report last November was that in September the prices of British bars and plates were approximately the same as the prices taken by the Board as the basis of their recommendations, but that structural sections—beams and angles—had fallen by about 10 shillings a ton. If you like I will read out the exact wording which is given in the summary of the price situation.

“The sterling price of British bars and plates have not varied much during the past 12 months, and are still at about the same level as they were in the latter part of 1923, or probably a little higher.”

“The prices of British structural sections (beams, angles, channels, etc.) have fallen appreciably during the last six months and are now about 10 shillings a ton below the prices of the period covered by our previous enquiry.”

Does that correspond with your information?

Mr. Roddick.—It does. Approximately, that was what had occurred up to that date.

President.—The only question then is what changes in the price of British steel have occurred since then?

Mr. Roddick.—May I mention one point here? The reason why I ignored entirely the last year's Report was that I understood that the Government of India had not asked the Tariff Board for any recommendations over their last year's enquiry. I ignored that Report entirely and I wrote from March 1924.

President.—I don't think there was any reason why you should refer to our previous Report. The only reason why I ask that question was to know how far you accepted what we had already said. It gives the basis to start on.

Mr. Roddick.—In my letter when I go on to say that Rs. 30 is the fall in the price of steel, I have ignored that point. I do not know what the fall in price is from September to date. I am taking from March 1924 in my letter.

President.—Between March 1924 and September 1924 there was no particular change in the sterling price.

Mr. Roddick.—I accept that. I don't guarantee that I am giving you a figure between September 1924 to March 1925. All I say is the figure from March 1924 to date is correct. I do not vouch for any figure between September 1924 to March 1925, but I know the figures are approximately the same.

President.—That is generally in accordance with your recollection?

Mr. Roddick.—That is right.

President.—There is a certain difference between the prices quoted by the various firms and also some of the other quotations. For instance, take British beams. The average according to the Iron and Coal Trades Review quotation for September was £8-8-0 and it is now £7-17-6. That is to say, according to the published quotation there is a fall of 10s. 6d.

Mr. Roddick.—What month is it?

President.—That is the average of the quotations for May. That makes another fall of 10s. 6d. which would make a fall of £1 in the export price.

Mr. Roddick.—Personally we don't go by that. We have our own cables from Home and our price from Tata's.

President.—Your prices are the actuals on which you are doing business?

Mr. Roddick.—Yes.

President.—In September last the price you gave in the return you sent us was £9-8-0 as against the Iron and Coal Trades Review quotations £8-8-0.

Mr. Roddick.—You asked for prices for each month.

President.—£8-8-0 was the f.o.b. price and yours was the c.i.f. quotation (£9-8-0). The difference between the two quotations is nearly equal to the freight charge. On the whole, that is true throughout that period for which you sent us returns last October.

Mr. Roddick.—Yes.

President.—Even in October and November it was still the same. For instance, the Iron and Coal Trades Review quotation for October and November was £8-7-6 and your quotation was £9-10-0 the difference being 22 shillings 6 pence, and it is only after that the thing begins to narrow down so that there is only a difference of 10 shillings and 6 pence in May.

Mr. Roddick.—For what year?

President.—For May 1925. It is only a difference of 10s. 6d., and this is not sufficient to cover the freight charges.

Mr. Roddick.—No.

President.—One knows that, when trade is depressed, business can be done below the price quoted in the trade papers. Do you think it is more than usually so at present?

Mr. Roddick.—Undoubtedly at present. If you have a thousand, two thousand or three thousand tons to offer in England, you get an extraordinarily cut price.

President.—What is the price that you have given here?

Mr. Roddick.—That is the average of our cabled prices.

President.—You may not necessarily be ordering 2,000 tons on that.

Mr. Roddick.—That is the sort of cabled price we get from Home every month to guide us. On that we make an order.

President.—Would the orders that you have been placing at those rates be about two to three hundred tons?

Mr. Roddick.—For our petty requirements.

President.—It is not so very petty when you are placing an order for 500 tons.

Mr. Roddick.—The price is a guide to us more to form our policy as to what we shall do. For this reason, you have got to know roughly what the market is. Then, if the price is high, you don't offer anything in the market at Home, but if the cable comes out low, there may be an opportunity in which you can increase your indent, so that it is probably below that figure when you actually place the order.

President.—In that case it would mean the Iron and Coal Trades Review quotations are worthless.

Mr. Roddick.—They are worthless as far as we are concerned.

President.—You are definitely of opinion that you will be able to do business substantially below those prices.

Mr. Roddick.—Certainly.

President.—The reason why I was asking this question was it was not so at the time of our previous Report.

Mr. Roddick.—I think the conditions are now more difficult for the British manufacturer. He very soon turns up his nose if he is full of work. Now he is absolutely crawling for work.

President.—Taking the difference in prices you have given, it would mean that instead of the fall being one pound, as suggested by the figures in the Iron and Coal Trades Review, it might be 30 shillings.

Mr. Roddick.—It might be.

President.—Angles are not quoted in the Iron and Coal Trades Review.

Mr. Roddick.—No.

President.—There is one question about angles I want to ask you. The impression in my mind from the evidence we have had is that, when trade is normal, there is nearly always an extra to be paid for angles. The ruling price is therefore 5 to 10 shillings higher than the price for beams.

Mr. Roddick.—Yes.

President.—You quoted the same price for angles and beams.

Mr. Roddick.—That is the base price.

President.—For all the smaller angles, you would pay extra?

Mr. Roddick.—Always an extra on small angles.

President.—So that the average price for angles would be slightly higher than for beams. In our last Report we took the price of angles 10 shillings higher than that for beams.

Mr. Roddick.—Yes.

President.—That would not be an unreasonable calculation?

Mr. Roddick.—No.

President.—For British bars the Iron and Coal Trades Review quotation was £8-5-0 and your c.i.f. quotation was £8-8-0, the difference being only 3 shillings. In this particular case the difference is even more marked.

Mr. Roddick.—From our point of view we cannot rely on these figures.

President.—Has that always been the case?

Mr. Roddick.—I don't think we ever had much faith in it.

President.—My recollection is that the Tata Iron and Steel Company told us in our first enquiry that they had running contracts with the engineering firms and that they sold to them at Rs. 5 a ton less than the price for British steel. Each month they would send in their claim and, if the engineering firms saw cause to object to that, there would be negotiations. But I think they told us at that time that you could do business on the basis of the Iron and Coal Trades Review quotations normally and that they worked out about right.

Mr. Roddick.—I don't think we ever had an arrangement of that sort. I know some firms did on that basis.

President.—You had no running contracts with Tata's?

Mr. Roddick.—We had running contracts, but not with the price fixed according to the Iron and Coal Trades Review.

President.—I didn't suggest that. What I understood was this. The Tata people would get their own quotations. They would also examine the quotations given in the Iron and Coal Trades Review and then they would intimate that in their opinion the price of British steel would be so much. If the engineering firm had any objection, it would make its objection, but ordinarily there would be no objection and they came to an agreement almost at once.

Mr. Roddick.—If the price was not suitable, we would not buy from them.

President.—The only thing I am trying to establish is that in normal times the Iron and Coal Trades Review quotations are found to be fairly reliable.

Mr. Roddick.—We don't base any of our orders on that.

President.—I take it that for fabricating work bars are not so important as beams and angles.

Mr. Roddick.—As regards quantities, bars are a small proportion of fabricated steel.

President.—You have got to use a certain quantity, that is obvious.

Mr. Roddick.—Yes.

President.—As regards plates, according to the Iron and Coal Trade Review quotation, the price has fallen by 22 shillings and 6 pence since September last.

Here the difference is very nearly a pound a ton between the f.o.b. quotation in the trade paper and the c.i.f. quotation that you give us. I don't think it is necessary to ask any further questions about plates. There is not so much to explain and we have covered the ground generally as regards the other sections. As regards sheets, are black sheets and galvanised sheets of much importance to you for fabricated work?

Mr. Roddick.—Corrugated sheet, we use a good proportion. I don't know whether it is going to be maintained, as far as the big structures are concerned, because asbestos sheets are coming in generally.

President.—For what kinds of work would they be used?

Mr. Roddick.—Engine sheds, station buildings, etc. In fact all big workshops for railways will have a corrugated roofing unless they adopt asbestos. We ourselves have roofed some of our own shops with asbestos. When the asbestos sheets are fixed, we have no more trouble.

President.—That is not the case with corrugated sheets?

Mr. Roddick.—There is endless trouble.

President.—I am interested in that, because the imports of corrugated sheets are very large.

Mr. Roddick.—For ordinary villages, small bustis and things of that kind there would be a great demand for these corrugated sheets, but not for main structures, engineering works, etc.

President.—How do asbestos sheets compare with the corrugated sheet? Supposing you were roofing a given shed of a given area with the one and with the other, what would be the difference in cost?

Mr. Roddick.—It would largely depend on the size. There is a Continental asbestos sheet which competes very seriously with the British asbestos sheet. It is invariably the cheapest but higher than the corrugated sheet. I couldn't tell you on a big contract how much higher. In my opinion it is best to put it up.

President.—All I want to get is the general idea. I am afraid we didn't ask you for the price of corrugated and black sheets, because they are not tabulated here. You are not much interested in black sheet, are you?

Mr. Roddick.—No.

President.—In the case of galvanised sheets, according to your figure between October and May there was a drop of about 30 shillings a ton?

Mr. Roddick.—Yes. These figures are correct but they principally refer to merchant business.

President.—The seller in England is not much concerned with what you are likely to do with these sheets.

Mr. Roddick.—Yes.

President.—There has been a fall of 30 shillings in price. Would that also be correct, going to March 1924?

Mr. Roddick.—I cannot say that.

President.—On the evidence we had in October 1924, there had been very little change in the price of galvanised sheet.

Mr. Roddick.—I couldn't tell you off hand without looking up what the fall has been.

President.—Coming now to the question of the Trade Facilities Act, I notice you say that the facts are easily ascertainable, but you have not mentioned any of them.

Mr. Roddick.—I do not know the complications of the Act.

President.—You say "the advantages to be gained for the British manufacturers owing to the Trade Facilities Act can readily be ascertained." We should have been grateful for your help in ascertaining them.

Mr. Roddick.—I presume that they can be easily ascertained from people, who are making use of the Trade Facilities Act in placing their contracts.

President.—You don't tell me what people are making use of the Act. How am I to find them?

Mr. Roddick.—I can tell you now. The Port Commissioners of Calcutta are making use of it.

President.—When was the Act passed?

Mr. Roddick.—The actual date of the passing of the Act I could not tell you, but when it struck us most was last November. There was no particular necessity to understand it before. Now it is gradually being understood by everybody. Actually what reduction is to be made from a given tender under the terms of the Act I presume can vary according to the people who are borrowing the money.

President.—My impression is—I have not verified it, I am trying to get information about it—that it was passed 4 years ago or earlier.

Mr. Roddick.—May be.

President.—And I think that Parliament originally sanctioned a certain sum, within which the committee in charge of the administration of the Act would have power to guarantee loans. My impression is that since that time it has been renewed at least once and the limit raised. That is my recollection. I am trying to get information from the office of the Director General of Commercial Intelligence, who, I have no doubt, must have the information. It is rather important to know when the Act was renewed and what was the sum sanctioned by Parliament.

Mr. Roddick.—From our point of view, we merely make the statement that the Act is being used against us.

President.—You say that the advantages to be gained for the British manufacturers can be easily ascertained.

Mr. Roddick.—I do not know anything about them.

President.—Can you mention a case in which a firm or a public body in India has actually borrowed under the Trade Facilities Act for a work involving the use of a considerable quantity of fabricated steel?

Mr. Roddick.—Yes, the Port Commissioners.

President.—Have they actually borrowed under it?

Mr. Roddick.—They have actually borrowed under it and are using it.

President.—At present?

Mr. Roddick.—Yes.

President.—Can you tell me exactly what the position is?

Mr. Roddick.—I would much prefer if you got the information from them.

President.—There is this to be said that the time is short. In any case it would be desirable to get any information which you can give verified by the Port Commissioners.

Mr. Roddick.—The results of the Port Commissioners meetings are published and they have definitely made statements in those proceedings. They have, I know, instanced a case where it was decided that, the Indian and British tender being the same, the order must go to England owing to the advantages to be had from the Trade Facilities Act.

President.—You are not in a position to tell me what the work was for which they borrowed, the amount of the loan and so on?

Mr. Roddick.—I understand that they have a loan which they can apply to any contracts that may be coming along. The loan is for a definite sum. They can say that they will put it on this contract and not on that contract. As a matter of fact they are using the Trade Facilities Act to pay us in London on a certain contract that we have got.

President.—I don't quite follow. Is it for work that you are doing in India?

Mr. Roddick.—They are allowed to borrow money on the raw steel. In this particular case, Tata's could not supply us the particular sections we

wanted and so we had to import them. We informed the Port Commissioners the approximate quantity of those imports and they are paying us 100 per cent. on c.i.f. in London; that is, the Trade Facilities Act operates up to the c.i.f. price provided the material is shipped in British bottoms.

President.—I don't think I quite follow what that means. I take it that they borrow the money and lend it to you and you buy steel?

Mr. Roddick.—No.

President.—Who buys the steel?

Mr. Roddick.—We buy the steel and hand over the shipping documents to them and then they pay us.

President.—On the strength of these shipping documents they pay you the full value?

Mr. Roddick.—Yes, and they add to that freight and insurance.

President.—That is included in the c.i.f. price.

Mr. Roddick.—That may be only half the price or a proportion of the price of our contract with them. When we deliver the steel in a fabricated condition, they pay us so much a ton on delivery and deduct what they paid under the Trade Facilities Act in London converted at a fixed exchange.

President.—I don't think I understand the arrangements. Do you know of any other case in which this has definitely happened?

Mr. Roddick.—Do you mean the use of the Trade Facilities Act?

President.—Yes, where a firm or a public body in India has borrowed under the Trade Facilities Act to finance a work involving a large quantity of fabricated steel.

Mr. Roddick.—I presume that the South Indian Railway do, but I have not got actual facts about that.

President.—I don't think that one can say definitely without knowing the actual facts that they are using the Trade Facilities Act.

Mr. Roddick.—They definitely told us that the local people could not compete with the British price.

President.—It does not follow that they are using the Trade Facilities Act.

Mr. Roddick.—They would be very short sighted if they did not.

President.—What you have got to remember is that the amount that can be sanctioned under the Trade Facilities Act which covers the whole Empire is by no means large. It is only £25,000,000 and is intended to cover a period of two years.

Mr. Roddick.—I remember to have seen a notice somewhere in which it was stated that £55,000,000 could be borrowed under the Trade Facilities Act, but how much of it was for India I am unable to say.

President.—There is no case of allocation. It is a case of first come, first served. Since the Act has been going on since 1921, it comes to £12,000,000 a year. It is not large, if it is spread over the whole Empire.

Mr. Roddick.—We don't know what proportion has been allotted to India.

President.—It is you who make the assertion that the Trade Facilities Act is doing a great deal of damage and it is for you to establish it.

Mr. Roddick.—We can establish it by illustrations. We have got the particular instance of the Port Commissioners.

President.—You cannot quote any other instance?

Mr. Roddick.—No. If every public body published the result of tenders as the Port Commissioners of Calcutta do, we could put these figures before you.

President.—Quite clearly there is not a case in which we can presume that it is being done. For one thing, could it be done by the Government of India itself?

Mr. Roddick.—Why not?

President.—Would they be eligible borrowers under the Act? Does it extend to Governments?

Mr. Roddick.—As far as I can see, it applies to Governments also.

President.—It is very unlikely that the Government of India would take action in that direction, if they are likely to prejudice an Indian industry.

Mr. Roddick.—I think that it is open to them to do so.

President.—Very likely, you are right on that point. What are the conditions attached to the borrowing under the Trade Facilities Act?

Mr. Roddick.—The conditions, as far as I can gather, are that the money must be spent in England

President.—The whole of it?

Mr. Roddick.—Yes.

President.—That also corresponds with my recollection. On page 3 of your letter you have given a table showing the British cost exclusive of duty in which you say that the reduction secured by the purchaser owing to the Trade Facilities Act is Rs. 31. In the next table showing the Indian cost using British material, you show the reduction secured by the purchaser owing to the Trade Facilities Act as Rs. 19. I should like to see how you arrived at these figures.

Mr. Roddick.—The assumption I have made is this. I know the figure which the Port Commissioners take is 13·4 per cent. I also know that they do not get the full advantage of the Trade Facilities Act, but I cannot tell you how much they miss it by. I think that it can run up to 15 per cent.

Dr. Matthai.—Have you calculated here at the rate of 15 per cent.?

Mr. Roddick.—Yes. They get it on the conversion as well as on the material in the case of British cost.

President.—I see that you have calculated Rs. 31 as 15 per cent. on Rs. 206·8·0 and Rs. 19 as 15 per cent. on Rs. 126·8·0.

Mr. Roddick.—Yes.

President.—On what basis did you get the 15 per cent.?

Mr. Roddick.—I know the figures of 13·4 per cent. I have slightly increased it to 15 per cent. because I know that the Port Commissioners do not get the full benefit of the Trade Facilities Act.

President.—One must know a little more as to what that means by getting the full benefit. I can understand that, as against the British engineering firm, the Indian engineering firm is worse off. It can only get the reduction on the cost of the unfabricated steel, whereas the British engineering firm would get it on the whole cost.

Mr. Roddick.—Certainly.

President.—That I understand. In other respects I don't clearly understand why the Port Commissioners of Calcutta should not get the same benefit as anybody else.

Mr. Roddick.—I do not know.

President.—On what basis did you get Rs. 31 and Rs. 19?

Mr. Roddick.—On the basis of 13·4 per cent.

President.—What is the 13·4 per cent. based on?

Mr. Roddick.—I have only taken the Port Commissioners' figure. I do not know anything about the details.*

President.—Let us get back to the original thing. How is a firm or a public body contemplating the execution of a public work benefited by borrowing under the Trade Facilities Act?

Mr. Roddick.—I do not know. It is not my business to know.

President.—Clearly it is. You are asking the Board to accept your statement that the Trade Facilities Act is being used against you and to base their recommendation to the Government of India on that.

* See Statement IV, para. 5.

Mr. Roddick.—The reason does exist. I have illustrated to you the case where it has occurred. I still think that the benefit, which a public body making use of the Act may derive, will vary considerably, as far as I can gather.

President.—How do they get any advantage? That is what I am asking for. Does it arise? How are they enabled to buy cheaper by borrowing under the Trade Facilities Act?

Mr. Roddick.—I do not know. All that I know is that it has affected us.

President.—Surely it is incumbent on you to make good your case.

Mr. Roddick.—I have made out a case by illustrating what has occurred.

President.—If you cannot explain to us how it occurred, I don't think that you have been able to establish your case.

Mr. Roddick.—As far as I can gather, it varies according to the people who are borrowing the money.

President.—What I am trying to get is how it varies.

Mr. Roddick.—I will endeavour to find that for you.*

President.—Has it not struck you that you should have done it before?

Mr. Roddick.—It is rather a complicated business.

President.—I think, frankly, that if you approach the Government of India through the Tariff Board and ask for protection, it is certainly worth your while to take a little more trouble and make out a complete case.

Mr. Roddick.—We will ascertain it for you.* I thought that the illustration of a definite case, where a public body accepted that they had deducted 13·4 per cent. from a tender, would be sufficient for the Board.

President.—Clearly one case is insufficient to establish your case. Besides that, you have told me very little about it.

Mr. Roddick.—I cannot tell you any more.

President.—My point is this. It is not the business of the Tariff Board to write to all and sundry and ascertain whether the facts are as alleged. It is the business of those people, who make these allegations, to prove them.

Mr. Roddick.—We will send you copies of the proceedings of the Port Commissioners meetings.†

President.—That would be helpful. What I have been puzzled in my brain is to see how the disadvantage arises under the Trade Facilities Act, but I imagine—I have not verified it yet—that the Act contains provisions by which the borrower could borrow at a lower rate of interest than he ordinarily could.

Mr. Roddick.—That is what I assume.

President.—Do you think that that is a probable conjecture?

Mr. Roddick.—Yes, I do.

President.—Can you give me any information as to the rates of interest at which loans are given under the Trade Facilities Act?

Mr. Roddick.—I might be able to obtain that information for you.*

President.—It is rather essential. We have just four days in which to dispose of this case. Have you ever read the Trade Facilities Act?

Mr. Roddick.—I have glanced through it.

President.—Does it contain any provision as to the rates?

Mr. Roddick.—It does.

President.—Supposing you found that, owing to the operation of the Trade Facilities Act, it was probable that a small proportion of the imports of fabricated steel were likely to come in—substantially lower than the rest—would it be reasonable in these circumstances to propose a protective duty giving the protection necessary to keep out the steel coming under the Trade Facilities Act?

* See Statement IV.

† See Statement V, para. 2 and Enclosure.

Mr. Roddick.—That is why in our conclusions we have put an alternative. We foresaw that. Our first recommendation is that the existing 25 per cent. *ad valorem* duty on fabricated steel should be increased to either 50 per cent. or only to 34 per cent. *plus* a provision against the Trade Facilities Act.

President.—Supposing the Indian Legislature passed an Act containing a provision, it would have to be something like this—when the Collector of Customs was satisfied after some enquiry that certain steel had been purchased by money borrowed under the Trade Facilities Act, he must collect an additional duty.

Mr. Roddick.—I should suggest an alternative to that. The Government of India must come to the rescue of the Indian manufacturers just the same as the British Government have come to the rescue of the British manufacturers.

President.—That is another matter. But there my difficulty would be this, that it would be difficult to bring it within the terms of the reference. Before the Government of India could do anything it would be necessary to have a much more detailed enquiry than the time we have at the present moment would permit.

Mr. Roddick.—We foresaw the point that you raised. Supposing it came to only about 1,000 tons, you could not raise the tariff on all imports. It is quite obvious. Therefore, we ask for one or the other alternative.

President.—At the end of your letter of 6th July*, you have made two other specific suggestions, *viz.*, the curtailment of such Government enterprise as railway workshops and a complete system of purchasing in India at rupee prices and the publication of the results of tenders. Are these intended as counter-balances to the Trade Facilities Act or are they only re-iterations of what you said before?

Mr. Roddick.—They are only re-iteration of what we said before.

President.—If they are merely re-iterations, we cannot accept them. This is a summary enquiry as to what supplementary protection is needed. We certainly cannot go on making recommendations which we are not asked to do.

Mr. Roddick.—Whenever we get an opportunity, we always place our views on record. Whether the Tariff Board can make use of them or not is another matter.

President.—Is it some sort of Trade Facilities Act that you are after?

Mr. Roddick.—We leave it to you and the Government of India to find out a solution. I do not know what solution you can make to that. The Trade Facilities Act is a very difficult problem. I cannot see any solution to it.

President.—It looks to me as if this question of the operation of the Trade Facilities Act is a somewhat difficult thing and it needs a fairly large enquiry. It will take some time to write to great many people and to get their replies.

Mr. Roddick.—We have been writing to the Government since December last.

President.—I am not in any way responsible for the Government of India.

Mr. Roddick.—You asked us definitely in your enquiry to state our suggestions.

President.—I am not complaining of your putting in this. I am only trying to put before you my point of view, which is when I am dealing with the question of supplementing the original scheme of protection—working always against time—if I throw my noose very wide it is very doubtful whether anything will be done at all.

Mr. Roddick.—I can quite see that. In this case, I am merely stating this fact for the simple reason that I have an illustration of what is occurring.

President.—Coming now to what you have asked for, as far as I can make out, it is very close to what the Board recommended last November, if there is to be no increase in the duties on unfabricated steel.

* See Statement II.

Mr. Roddick.—Yes, in fact the conversion figure of the first illustration, i.e., Rs. 80.

President.—That clearly is a conjecture. Nobody knows what the actual cost of conversion in Great Britain is. You can ascertain approximately the price at which unfabricated steel is coming in and you can also ascertain the price of fabricated steel. The difference is presumed to be the cost of conversion.

Mr. Roddick.—Yes.

President.—The Board last November proposed an additional duty of Rs. 60 a ton of which Rs. 38 was due to the higher duty then proposed on unfabricated steel. Rs. 10 was the difference in the British cost of fabrication when expressed in rupees owing to the rise in the rupee sterling exchange and Rs. 12 was the difference in the amount of the *ad valorem* duty owing to the same cost.

Mr. Roddick.—Yes.

President.—If we assume that there is to be no increase in the duty on unfabricated steel, then Rs. 38 goes off and Rs. 22 is all that is left.

Mr. Roddick.—Yes.

President.—What you have asked for is 34 per cent. without the additional protection against the Trade Facilities Act. That actually comes to a little less.

Mr. Roddick.—That is with exchange at 1s. 6d. If it is going up to 1s. 7d. or 1s. 8d., we would be just as badly off again.

President.—What security we have against the rise in exchange I do not know, but I think I am right in saying, am I not, that Sir Basil Blackett, when he landed in Bombay the other day, said that the Government of India would regard it—I cannot remember the exact words he used—as unfortunate, regrettable or undesirable if the exchange, until the Currency Committee had sat, rose above 1s. 6³/₄d., which, he said, might be taken as the gold import point. Does that correspond with your recollection?

Mr. Roddick.—Exactly.

President.—I take it that that is all the information that any of us have.

Mr. Roddick.—Could not the Board recommend a tariff only to be applied when the exchange goes up?

President.—You see that although the power existed in November last it was not used. We are not at liberty on this occasion to make a proposal involving some change in the system.

Mr. Roddick.—I quite see the point.

President.—We have got to take it that the Steel Industry (Protection) Act holds good and that our recommendation must be in harmony with it or within its bounds. You remember what the Board proposed. Instead of an increase in the *ad valorem* duty, they proposed a specific duty. I notice that you now suggest an *ad valorem* duty. Do you prefer the *ad valorem* duty to the specific duty?

Mr. Roddick.—Provided we get the same protection either way, we have no objection.

President.—With an *ad valorem* duty, if the rupee sterling exchange rises then your protection steadily decreases, whereas with a specific duty on the other hand, although the ratio goes down, the actual amount does not go down?

Mr. Roddick.—It would mean that expensive work would be more difficult to get than the easy work, that is, the high price work would be more difficult to obtain in India than the low price work.

President.—I understand what you say is this, that although the Board had to take some average figure for fabricated steel, the actual cost of fabricated steel would be sometimes above and sometimes below that and, therefore, an *ad valorem* duty may be more appropriate, because, as you say, it gives you an equal chance in the more expensive work as well as in the less

expensive work. Also, in the not very probable event of a rise in the price of steel in the future, naturally, the *ad valorem* duty would be of greater advantage. What do you think on the whole is the better plan?

Mr. Roddick.—I think the *ad valorem* duty is the better plan. We are prepared to take the risk of a rise in the exchange.

President.—You on the whole would prefer an *ad valorem* duty but you have no strong objection to the other?

Mr. Roddick.—No. A fixed duty would come in better for us in cases where the British manufacturers may be using large quantities of Continental steel.

President.—But you can't say where that comes from?

Mr. Roddick.—No.

President.—I now come on to the question whether you found competition equally intensive in all kinds of work. Your reply to that question was that the question of value was of greater importance than class at the present time. I think you must have misunderstood the question. What was meant was something like this, taking half a dozen different classes of articles, *e.g.*, railway and road bridges, roof trusses and columns, oil and water tanks, and so on—I was thinking of different classes of work in that sense—are you finding exactly the same difficulty in all of them? The list given on pages 432 and 433 of the first evidence covers all the items, I think?

Mr. Roddick.—Take out railway wagons and carts and road lorries.

President.—Well, now the question is you do not get such large orders for, say, oil tanks as you do for road bridges?

Mr. Roddick.—There is very little of that in fact. Take railway bridges. The British manufacturers had practically a monopoly for years and years. We get them now under the tariff. We seldom get orders for roof trusses and columns running into large figures. We get contracts for these for, say, Rs. 10,000 or Rs. 15,000. Although in the case of a big shed we may sometimes get an order worth about Rs. 2 lakhs, but they are not half so large as orders for railway bridges and there is competition in those.

President.—Roof trusses and columns, would that mean the kind of steel buildings we have in Calcutta?

Mr. Roddick.—No, although we did them also for a time. We have stopped it.

President.—Then it is something smaller?

Mr. Roddick.—Station buildings would be roof trusses and columns, and sheds, tea houses and so on. There would be nothing architectural about these but considerable technical skill is required. For steel buildings you simply buy the steel, put holes in it and it is finished.

President.—Are you meeting the same class of difficulty in this as in the others?

Mr. Roddick.—Less, although tea houses are going home because many of the companies are managed from London and get them direct from Home. Then take pithead frames; we do not get orders for them every year. That is mainly due to depression in trade.

President.—Coal tubs—do you do much work in that?

Mr. Roddick.—We don't.

President.—Oil and water tanks?

Mr. Roddick.—We do a lot of that, but there is another complication coming in and that is the pressed steel tank which at present is not pressed out here. That is cutting out the old-fashioned tank very severely indeed. In fact, the Indian Stores Department never place orders for ordinary tanks. They are placing orders for pressed steel tanks. We do few oil tanks.

President.—Is there any difficulty about that?

Mr. Roddick.—It is not in the general run of business. When you get an enquiry about oil tanks we take it, but it is not coming along every day: it is not an everyday business. We are continually doing stages and jetties and things of that sort. Railway and road bridges, roof trusses and columns, Jetties pontoons and buoys, these are the general ones.

President.—Cranes and elevators? They are special jobs, I think?

Mr. Roddick.—Yes.

President.—These again would not be everyday orders?

Mr. Roddick.—No. When an order comes along it would probably be worth several lakhs and then you do not hear anything about cranes for years.

President.—As regards the concrete cases showing a comparison between British and Indian tenders, I think it is desirable that these should be put in writing, because otherwise in taking down figures orally they are always apt to be muddled.

Mr. Roddick.—We have replied to your letter in which you asked for concrete examples. (Copies handed in.)*

President.—What you have given us in this letter is the difference in price as regards two tenders for railway bridges. In November 1924 you were able to get an order for a certain bridge quoting Rs. 315 a ton, but in January 1925 quoting Rs. 340 you were undercut by about Rs. 65.

Mr. Roddick.—That is the nearest I can get. We are not sure of the British prices and we are merely citing the figures from hearsay. We are seldom able to ascertain the prices at which orders have been secured by European firms. The reply we invariably receive is that "the order is going home at a lower rate." In the one case the exchange was 1s. 4d., which shows that with the exchange at 1s. 4d. we could get an order.

President.—Thank you very much for drawing our attention to that point. We did not know that. Then it is a very good illustration from your point of view. If you had taken the exchange at 1s. 6d. the British standard would have gone down to Rs. 4,55,000 and you would have been undercut in that case by nearly Rs. 15,000.

Mr. Roddick.—Yes.

President.—I am glad you have pointed out the difficulty caused by a fall in the exchange. Are you not in a position to give any further illustrations of the kind we have indicated? It is in your own interest that you should give them, if you can.

Mr. Roddick.—We will compile a comparative statement showing the 1923 and 1925 prices for all the fabricated steel articles given by us on page 432 of Volume II of the first evidence. I think that is the kind of information you want.

President.—That would be useful.

Mr. Roddick.—We can give you that.†

President.—As we said in our letter it would be good evidence if you can show that you could get an order at a certain price and that later on tendering at a lower price you could not get the order.

Mr. Roddick.—In 1923 before the Tariff Act came on we had all these difficulties.

President.—You gave us some illustrations then. It was on the basis of the information you then gave that we arrived at our original recommendation.

Mr. Roddick.—If you compare this bridge tender with the one we quoted in our first evidence (page 436 of Volume II), which is made up of "Cost of material—Rs. 9-12-0 per cwt., Labour—Rs. 2 and so on—at Rs. 390 a ton," you will find that the conversion costs are similar and the price we have now quoted is Rs. 315 as against Rs. 390, owing to fall in price of material.

* See Statement III.

† See Statement V, para. 3.

President.—Unless you tell us that these two bridges are comparable, how are we to know that? We are not experts.

Mr. Roddick.—We ought to have done that. It is exactly the same class of work and the cost of material and so on are exactly the same as those we gave in the last enquiry by the Tariff Board.

Dr. Matthai.—Can you give me some idea of the proportion of Indian made materials that you use?

Mr. Roddick.—That entirely depends on the prices Tata's quote; and provided they can give us deliveries.

Dr. Matthai.—What was the proportion last year?

Mr. Roddick.—Our imports of British steel in the last year had fallen by 70 per cent.

President.—Is that only your engineering business or does that cover your merchant business? Can you give us also the increase in the purchase of Continental steel?

Mr. Roddick.—70 per cent. covers both. We increased our purchases of Continental steel but since last year we have shut off the supply of Continental steel. It may be all right for small merchants in Calcutta and up-country, but we cannot rely on deliveries. Their deliveries are very bad, and by the time we get the material, prices may be up or down.

President.—My point is a little different. In the case of your engineering works one would assume that the decrease in your purchases in Great Britain would be made good by your purchases at Jamshedpur?

Mr. Roddick.—Entirely.

President.—You have told us that there was a big reduction in your purchases from Great Britain. Was the total quantity you used about the same in both cases?

Mr. Roddick.—About the same.

President.—That would mean a bigger increase in the purchase from Tatas, would it not?

Mr. Roddick.—Yes, and I am sure Tata's figures will verify that.

President.—In our evidence during the last enquiry one or two Engineering firms said that they were using Continental steel because they could not buy at British prices.

Mr. Roddick.—Tata's can supply angles, flats and bars.

Dr. Matthai.—The advantage you are going to get in regard to British material on account of this high exchange and the fall in the sterling price, is that likely to increase the proportion of imports of British steel?

Mr. Roddick.—Not as far as we are concerned. Tata's must compete, and if they are able to sell at a competitive price we would much rather buy from them.

Dr. Matthai.—Can you tell us what is your maximum output of fabricated work?

Mr. Roddick.—That is given on page 438 of the evidence in the first enquiry.

Dr. Matthai.—I want to ask you a question about the Trade Facilities Act. The average advantage that you have taken into account in your calculations is 15 per cent. I suppose what that average means is this. If you take any particular order which has been executed under the Trade Facilities Act, on that order the purchaser gets an advantage of 15 per cent. It does not mean that, if you take the total imports of fabricated material in this country, 15 per cent. is the average on all the imports of British materials.

Mr. Roddick.—As far as I can see, any public body can borrow a definite sum and make use of it in exactly the same way.

Dr. Matthai.—What I want to ask you is this. I have got here a Resolution of the Government of India with regard to the Trade Facilities Act.

I find that the first paragraph of the Resolution is this: "Under Section 2 of the Trade Facilities Act, 1924, the British Treasury may make a provision for an amount not exceeding three-quarters of any interest payable in the first five years of the currency of the loan in respect of such portion of the loan as is to be expended in the United Kingdom by any public utility undertaking in any part of His Majesty's Dominions and that payment will be made by the Government of that part of His Majesty's Dominions." Assuming that the application of the Trade Facilities Act is limited, as is apparently suggested here, to public utility undertakings, I want to know in that case to how much of the imported fabricated materials in this country the Act is likely to apply? What are the principal forms of fabricated material in which you deal?

Mr. Roddick.—We deal in a lot of structural work, bridge work and structural sections of various kinds.

Dr. Matthai.—If you take bridge work, I suppose there have been a number of complaints on the part of engineering firms in India that for several years the Government of India have been placing their orders for bridge work in the United Kingdom.

Mr. Roddick.—That is so.

Dr. Matthai.—And for several years?

Mr. Roddick.—Certainly.

Dr. Matthai.—I take it that all bridge work is public utility work, as far as Government are concerned.

Mr. Roddick.—Yes.

Dr. Matthai.—So that you would not be affected adversely by the Trade Facilities Act, as far as the bulk of your bridge work is concerned.

Mr. Roddick.—No, they don't apply to the Trade Facilities Act!

Dr. Matthai.—What I mean is this. If you take the bridge materials that have come into this country, as far as that is concerned, whether there was a Trade Facilities Act or not, the bulk of that work according to the practice of Government, of which you have been complaining, would in any case have gone to the United Kingdom.

Mr. Roddick.—Certainly.

Dr. Matthai.—If you take structural sections, most of your orders come from private consumers and not from Government.

Mr. Roddick.—From Government.

Dr. Matthai.—Most of it come from Government.

Mr. Roddick.—Very largely.

Dr. Matthai.—So that, on the assumption that it applies only to public utility undertakings, that is the part of your work to which the Act is likely to apply. Am I right?

Mr. Roddick.—You are right up to a point, but the other point I would like to illustrate is that such bodies as the Port Commissioners, for whom we have done a great deal of work in the past and for whom we have now got work in hand, are enabled to borrow under the Act. That is the point that is frightening us. I might mention here an instance that occurred the other day. There was a big tender placed at X'mas. A call was made by the Port Commissioners to a certain drawing. We looked at this drawing and we didn't approve of it ourselves. We sat down to it—I know it is an exceptional case—and we thought we could make a very considerable reduction in the weight of materials required for the four particular buildings at the King George's docks. Then there was another way of looking at it. We knew that, if we quoted on the drawing exactly as it was, the British manufacturer would beat us easily on exchange, ignoring the question of Trade Facilities Act. So we put in alternative tenders. The first one was made to the Port Commissioners' design and the last one that was accepted was our design. Before the tender went in, we had to more or less view how the Port Commissioners would look at these tenders. The first comparison they would make would be

between their design and our tender and all the other tenders. If we had not been competitive to their design, we should have been ignored. So what were we to do? The only thing we could do was to put in a price to their design that would be competitive though involving us in a serious loss, if that tender had been accepted. We actually got the order on our design, after allowing for the Trade Facilities Act and exchange, because we reduced the weight so enormously.

Dr. Matthai.—I feel the same difficulty which the President expressed. We really have no facts with regard to the Trade Facilities Act.

Mr. Roddick.—The attitude we take up is we are not financiers. We are only engineers.

Dr. Matthai.—It might be very difficult to get the sort of information on which we could make an effective recommendation. But then, if it is going to be difficult to get the facts, how exactly is one going to make up one's mind?

Mr. Roddick.—I think the facts are quite easy to get from the Tariff Board's point of view. I mean to say if you apply to the Port Commissioners, you will know how they arrived at 13·4 per cent.

Dr. Matthai.—There are really two difficulties. In the first place, one has got to know quite clearly what are the sort of things which are likely to come under the provisions of the Act, and then, in the second place, as a matter of actual fact, how far has this Act been used.

President.—The second point is important.

Mr. Roddick.—I have referred to the alternative in our conclusions.

Dr. Matthai.—When you speak of purchases on the basis of rupee tenders for delivery up here, I suppose what you mean is purchase, on a rupee basis, also of materials which are not at present manufactured out here.

Mr. Roddick.—All purchases.

Dr. Matthai.—What I want to put to you is whether for some years to come it is not likely to be a rather expensive thing for the country.

Mr. Roddick.—I think not.

Dr. Matthai.—May I explain my point? For one thing Government gets preferential rates in freight from Shipping Companies.

Mr. Roddick.—I understand they do.

Dr. Matthai.—Government does not insure.

Mr. Roddick.—I understand not.

Dr. Matthai.—Government might make a considerable saving by sending their money when the exchange is favourable. There are various ways in which Government might effect economies which otherwise might be charged to the Indian taxpayer. I was wondering whether you have sized up the practical difficulties.

Mr. Roddick.—What we maintain is that, because of the Government freight, the freight is put up against everybody else which we and the other importers have to pay. If you take off this freight, the only safe order for freight, and put it on the market, all freights will come down. But the great point that we may make is that costs are increased if stocks are held for over three or four months. This does not appear on the surface. Some Government Departments hold stocks for ten years. On the stores purchase question, I think, we gave the Tariff Board at the last enquiry several notes on the subject. They are probably in your records. We wrote on this subject.

President.—Taking things as they are at present and as they were before the Steel Industry (Protection) Act was passed, do you think they are better or worse?

Mr. Roddick.—Excluding the Trade Facilities Act?

President.—Yes, excluding the Trade Facilities Act.

Mr. Roddick.—They are probably slightly better than they were before, but we can't get orders as the position is now.

President.—Could you tell us whether they are worse than they were before?

Mr. Roddick.—At the moment they are slightly better, that is excluding the Trade Facilities Act.

President.—What one wants to know is this. So far as the British Trade Facilities Act is concerned, it must benefit the British industry. That is why it was passed. The question to what extent it affects the imports of steel into India and so on is a much more difficult problem. I apprehend it will be almost impossible for us really to deal with it in the time we have got. We have a good deal in our hand at present.

Mr. Roddick.—Quite so. The whole point is we have to put down exactly the facts as we see them and these are actual facts that have occurred. I think the British Trade Facilities Act will be used more and more as people begin to realise what it means.

President.—The natural retaliation, I suppose, will be to pass a similar Act in India. The Government of India will take some sort of action in the way of granting the money.

Mr. Roddick.—Yes.

President.—If you adopt any sort of retaliation, if, so to speak, a fence is erected against the British goods you run this danger that the Committee which is administering the Trade Facilities Act would refuse to give any advantage to any public utility concerns in India. It is not only in the case of some industries, but in other cases, where there is no real chance of the goods being ordered in India, you must lose a great advantage.

Mr. Roddick.—Undoubtedly there is that point too.

Witness No. 8.

MESSRS. BALMER LAWRIE AND COMPANY, LIMITED.

Letter dated 26th May 1925.

We are in receipt of your No. 240 of the 23rd, and in reply have to state that we shall be pleased to co-operate in any form we are able, with the Tariff Board, in connection with any of their investigations into the Steel Industry.

As requested in your paragraph 2, we enclose a statement which is as complete as we are able to submit, giving c.i.f. prices from October 1924 to May 1925, for various British and Continental manufactured sections. We hope that this will be of assistance to you.

We are pleased to note in your paragraph No. 3 that an opportunity will be given us of placing representations before the Board if we desire to do so.

	British Beams.	Continental Beams.	British Angles.	Continental Angles.	British Bars.	Continental Bars.	British Plate.	Continental Plates.	British Bl. Sheets.	Continental Bl. Sheets.	G. C. Iron.
1924.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
October	9 5 0	6 10 0	9 5 0	6 10 0	10 12 6	6 10 0	10 2 6	7 12 6	13 17 6	13 10 0	10 2 6
November	9 2 6	6 5 0	9 2 6	6 5 0	10 12 6	6 5 0	10 2 6	7 12 6	13 16 8	13 10 0	13 7 6
December	10 7 6	6 10 0	9 0 0	6 10 0	10 7 6	6 10 0	10 0 0	7 15 0	13 17 6	13 2 6	18 7 6
1925.											
January	8 18 9	6 10 0	9 0 0	6 10 0	10 7 6	6 10 0	10 0 0	7 15 0	13 17 6	13 2 6	18 7 6
February	8 15 0	6 17 6	8 15 0	6 17 6	9 10 0	6 17 6	9 15 0	9 15 0	12 17 6	11 10 0	17 17 6
March	8 15 0	6 15 0	8 15 0	6 15 0	9 10 0	6 15 0	9 15 0	8 0 0	12 17 6	13 17 6	17 7 6
April	8 12 6	6 15 0	8 12 6	6 15 0	9 5 0	6 15 0	9 15 0	8 0 0	12 17 6	13 17 6	17 12 6
May	8 10 0	6 15 0	9 2 6	6 15 0	8 10 0	6 15 0	9 12 6	8 0 0	12 17 6	11 15 0	17 12 6

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Witness No. 9.

MESSRS. RICHARDSON AND CRUDDAS.

Letter dated 15th June 1925.

With reference to your letter No. 241 of the 23rd ultimo, we have pleasure in enclosing herewith a statement showing the average sterling c.i.f. prices of British and Continental Beams, Angles, etc., month by month from October 1924 up to May 1925, which we trust will be of service.

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Section.	1924.			1925.				
	October.	November.	December.	January.	February.	March.	April.	May.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
<i>Beams.</i>								
British	9 7 6	9 7 6	9 7 6	9 7 6	9 4 6	9 2 6	9 2 0	8 11 9
Continental	6 13 3	6 13 9	6 12 6	6 14 6	6 17 6	6 15 3	6 15 0	6 15 0
<i>Angles.</i>								
British	9 7 6	9 7 6	9 7 6	9 7 6	9 4 6	9 2 6	9 2 0	8 11 9
Continental	6 15 9	6 16 3	6 17 6	7 0 0	7 5 0	7 1 6	7 1 3	7 0 6
<i>Flats.</i>								
British	9 17 6	9 17 6	9 17 6	9 17 6	9 14 6	9 12 6	9 8 0	9 1 9
Continental	9 15 9	6 16 3	6 17 6	7 0 0	7 5 0	7 1 6	7 1 3	7 0 6
<i>Rounds.</i>								
British	10 0 0	10 0 0	10 0 0	10 0 0	7 17 0	9 15 0	9 10 6	9 4 6
Continental	6 15 9	6 16 3	6 17 6	7 0 0	7 5 0	7 1 6	7 1 3	7 0 6
<i>Plates.</i>								
British	10 8 0	10 7 6	10 7 6	10 7 6	10 4 6	10 2 6	9 19 6	9 13 9
Continental	7 18 6	7 18 9	8 0 0	8 2 3	8 6 3	8 5 3	8 5 0	8 5 0
<i>Corrugated Sheets.</i>								
British	19 2 6	18 13 9	18 12 6	18 13 6	18 7 6	17 15 0	17 13 6	17 12 6

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Statement II.—Letter dated 9th July 1925.

With reference to correspondence ending with your letter No. 317 of 2nd instant we have given the various matters raised by you our careful consideration, and in this connection we confirm hereunder our telegram of 8th instant conveying to you and to the Indian Engineering Association who, in their letter of 29th ultimo have already addressed us in the matter, a summary of our views on the main points on which an expression of our opinion is desired.

2. The telegram reads as under:—

“Reference Steel Industry Investigation we consider payment bounty Tatas and others matter between Government and Manufacturer looking at question point view national importance stop Reference Import Duty raw steel consider burden on consumer and revenue accrued excessive and beyond-anticipations Tariff Board stop Suggest reduction duties plain structural steel and bars by one-fifth stop Reference Protection fabricated steel consider reduction British and Foreign steel prices greatly jeopardizes protection Indian manufacturer essential to secure Rupees twenty-nine ton protection outlined Tariff Board Report stop Taking into account competition in imported steelwork fabricated from cheapest materials present twenty-five per cent. protection insufficient should be increased in our opinion to thirty-three and third per cent. Writing.”

It will be observed we address you on 3 points, viz.:—

- (a) Payment of Bounty to the Steel Producers and to others, as the Wagon Building Industry.
- (b) The present tariff duty on steel, i.e., plain unfabricated steel.
- (c) The present position of the Fabricated Steel Industry in India with regard to the protective duty already in force.

and we trust that in detailing our views on these sub-heads we are adhering to the terms of reference mentioned in your letter in question, and as amplified in your letter No. 316 of 2nd instant to Messrs. Jessop & Co., Calcutta, copy of which you have forwarded to us.

3. *Bounties.*—In connection with the question of Bounties, we note that Government (as in their Press Communiqué of 1st instant) would prefer to give additional protection, if required, by way of bounties instead of by imposing additional duties.

In this connection we presume Government are mainly considering the interests of the Tata Steel Company and if so, we would say that as the maintenance of Steel Producing Companies in India is a matter of prime National importance, it would seem desirable that every reasonable step should be taken to support such Industry. The payment of Bounties is a matter of Ways and Means which can only be arranged between Government and the Concerns desiring bounty support. Provided, therefore, no additional burden is placed on the consumer of plain steel we see no objection to a payment of bounties by Government as a regular procedure for the future where such support is necessary—as already stated—from the point of view of national importance.

4. *Raw (Plain) Steel.*—Although the point we are now raising is not strictly within the terms of reference as it does not involve the “supplementing,” but the “reducing” of certain tariff charges on imported plain steel—we consider it is of sufficient importance as the present duties appear to impose a very heavy burden on the consumer that was obviously not contemplated when the Tariff Board Report was drawn up.

We refer to the fact that the Customs Revenue accrued up to the end of the last financial year is, according to the figures at our disposal, much in excess of the amount required in a normal revenue year, allowing also for payment of bounties as decided upon by Government last year.

The relevant figures are as follows:—

“The Indian Trade Journal” of April 16, 1925, page 76 shows:—

In the twelve months ending 31st March 1925.

	Rs.
(1) <i>Duty collected at 10 per cent. on metals, iron and steel</i>	83,43,000
(2) <i>Protective Special Duties on “Iron and Steel”</i>	2,15,85,000
a total of	<u>2,99,28,000</u>

against which *deductions* fall as under:—

Bounties understood to be paid to Tata Steel Company up to 31st March 1925

	Rs.
on rails	36,35,000
on Ingots	28,89,000

Plus a normal revenue from “Iron and Steel” on the 10 per cent. duty average of

	Rs.		
1922-23	1,84,08,000		
1923-24	1,72,12,000		
	<u>3,56,20,000</u>	<u>1,78,10,000</u>	<u>2,43,34,000</u>

Balance excess revenue collected Rs. 55,94,000.

The amounts collected under (2) “Special Duties” date from 13th June 1924 and on this basis the revenue under this head for a full year would be increased from the figure of Rs. 2,16,00,000 to about Rs. 2,70,00,000 increasing the excess revenue by 54 lakhs to about 110 lakhs.

Further, we are not quite clear how far the following classifications affect the position, but if they are also taken into account it would still more increase the surplus for 1924-25 to about 225 lakhs and more for a full year:—

	Rs.
<i>Duty at 10 per cent.—</i>	
Railway Plant and Rolling Stock	47,48,000
Other articles	1,70,000
<i>Protective Special Duties.—</i>	
Coal Tubs	1,44,000
Railway Track material	9,10,000
<i>Government Stores.—</i>	
Railway Plant and Rolling Stock	6,98,000
Other Stores	43,24,000
	<u>1,14,94,000</u>

Since Government now consider that bounties are a more effective method of assisting the basic steel industry than by endeavours to raise the price for imported steel to a figure at which the Indian manufacturer could sell his plain steel “with a fair return on Capital” it would seem there is no point in raising a larger revenue from iron and steel duties than would meet current demands, *plus* a small surplus.

It is for this reason that we suggest Government should consider the reduction of duty on certain items for plain steel where the burden on the consumer can be proved to be greater than he is entitled to bear.

We select item No. 91—150 "Angle and Tee, all other sorts and beam, channel, etc." and Item 91—151 "Common Merchant bar, etc.", of the Customs Tariff as materials in extensive use in India requiring sympathetic treatment from the point of view of the consumer.

A large trade is done in Angles, Tees and Beams for building and other purposes and it is undoubted that, on account of the shortage of money, the general merchant trade in these materials has been extremely dull. Further the competition of competing commodities and methods have to be considered. Fabricating industries use large quantities of plain structural steel and any downward modification of the duty would greatly benefit them. Moreover, the Tariff Board Report states that "it is through the price of structural steel that the Engineering Industries and the Railways are most likely to be affected and we are anxious that the burden on them *should be lightened as far as possible.*"

We therefore submit that on the information available for public use a strong *prima facie* case exists for a reduction in the duty on "plain structural steel," and that the figure of 1/5th is indeed an extremely modest request for consideration and that a much larger proportionate reduction should be considered and could well be made.

With regard to common merchant bar an extensive trade is carried on in rounds and flats—particularly for agricultural and village industries—and any reduction in the duty on these articles confers some measure of advantage—although individually a very small one—on the prime industry of India—Agriculture. In this connection it should be noted there are quite a range of sizes of flats and rounds not yet rolled in India.

Steel is coming more into use for the improvement of dwellings and on the whole we consider that if any reduction in duties is justified, it would be primarily advisable on the items above enumerated and for the reasons given.

Moreover, it would further appear that sufficient revenue will be available in future to possibly give a very much greater reduction than the 1/5th suggested and to also reduce the duty on Item 147—"Ship, tank, bridge and common plates" from Rs. 30 ton to some figure according a greater measure of assistance to the fabricating industries who mainly use them.

5. *The Duty on Fabricated Steel.*—We are asked if we can make good a claim for additional protection on fabricated steel and we desire to do so on the following grounds.

On page 114 of the Tariff Board Report the following Calculation appears:—

	Rs.
Cost of unfabricated Steel (1½ Tons)—	
Without duty	160
Add duty @ Rs. 30 per ton	33
	<hr/>
Total cost of unfabricated steel	193
Cost of fabrication	117
	<hr/>
Total cost of fabricated steel, per ton	310
	<hr/>

followed by an estimate that imported fabricated steel was likely to enter India at Rs. 250 ton and this *plus* 25 per cent. duty would raise the price to Rs. 312 ton.

This slight advantage in price would probably justify the order being placed with Indian Workshops against outside competition and give the Indian fabricating industry in addition a protection of Rs. 29 ton being the difference in Customs duty payable on the 2 prices. We assume that the Tariff Board based the 25 per cent. duty on imported fabricated steel as

equivalent to a protection of Rs. 29 ton for the Indian Industry, and we desire to show that this protection is not sufficient to meet the needs of the trade.

The Tariff Board estimated the cost of fabricating as 40 per cent. of Rs. 293 but as it is mainly labour charges it is obviously a fairly constant element. In Bombay none of our charges have gone down since the publication of the Report, and indeed we have had additional burdens due to trade depression not covering the overhead expenses and also on account of the Workmen's Compensation Act for which Insurance Companies charge the Engineering Industry a considerable premium. We however accept the figure of 40 per cent. or Rs. 117 ton.

Unfortunately, on account of shortage of enquiries it is difficult finding many cases recently where fabricated steel was imported at lower prices than we could compete with, but we select 2 concrete cases for your consideration.

Case (1) represents a firm quotation from British makers based on using British material for over 1,000 tons Bridgework—the cost being £17-4-0 ton c. i. f. Indian Port. This runs out at 1s. 6d. per Rupee to Rs. 287 ton duty paid and as the quotation was given last February and prices have fallen since, the nett price to-day would probably be about Rs. 282 ton duty paid.

Case (2) represents an offer by British makers of 100 British Steel Stanchions at £14-9-0 ton c.i.f. Indian Port. This price at 1s. 6d. = Rs. 241 duty paid.

It will be noted these cases are for the use of British material, but if Continental Steel had been accepted—to take Case (1) as an example—we calculate the price would have been reduced from Rs. 282 to Rs. 254 ton duty paid.

Basing our claim for protection on Rs. 29 ton as before, it will be seen the margins left on Customs duty are as under:—

	Rs. A. P.
Case (1) Duty payable at 25 per cent.	57 8 0
against Duty payable by us	33 0 0
	<hr/>
Protection given	24 8 0
	<hr/>
Case (2) Duty payable at 25 per cent.	43 3 0
against Duty payable by us	33 0 0
	<hr/>
Protection given	15 3 0
	<hr/>

In this case the imported price was so low we could not compete.

	Rs. A. P.
If Case (1) were taken as fabricated Continental	
Steel the duty payable we calculate as	50 14 0
against Duty payable by us	33 0 0
	<hr/>
Protection given	17 14 0
	<hr/>

Generally speaking, we do not consider the duty of 25 per cent. on imported fabricated steelwork furnishes the fabricating industry in India with sufficient protection. The lower prices of an international commodity like steel of course affect all alike, and high Indian exchange benefits the Indian consumer, but penalises us in the stable fabricating cost of Rs. 117 ton against the foreign importer.

But the difference between British and Continental steel is so great that it is likely competition in fabricated steel made from Continental materials—either in Great Britain or on the Continent—may develop greatly in the

future. Further, a serious factor is that the steel wastage in fabrication is less or can be more economically utilised in Europe than in India, and another serious factor requiring consideration is the question of time for completion where it is, as often, the essence of a contract.

We recently found we lost a large order for fabricated steel due to our requirements of time for completion being considered excessive. Protection, to be effective, has *pari passu* to take account of the surrounding circumstances, and the result is likely to be nugatory if the protection is not secured on a sufficiently broad basis to enable the Indian fabricating industry to organise itself to meet the competition in the heavier steelwork, as large girder spans, etc.,—now experienced from the West.

The Tariff Board Report indicated that the market for the sale of Indian Steel depended on the existence of the Engineering Industry. It was further stated that the encouragement of engineering work in India provides an indirect, but immediate stimulus to the production of plain steel.

It is our opinion, however, that the protection afforded to steel fabrication in India does not at present provide the stimulus for economical production which again is dependent on a high output.

We have suggested an increase to 33½ per cent. which bears a relationship to the reduction in the Rs. 29 protection already indicated and we trust this Board is prepared to concede a greater protection than the 25 per cent already granted.

We have suggested an increase to 33½ per cent. which bears a relationship to the reduction in the Rs. 29 protection already indicated and we trust this will be considered a reasonable basis for discussion.

6. We regret that we have been unable to reply earlier or as fully as we should have wished, but if further information is required we shall be glad to furnish same if called upon to do so.

Witness No. 10.

MESSRS. GEO. SERVICE AND COMPANY.

Letter dated 29th June 1925.

In continuation of our letter of the 8th instant, and with further reference to your letter No. 239 of the 23rd May last, we have pleasure in furnishing the following figures for your information:—

C.I.F.C. Bombay Prices for Continental.

	Beams.	Angls.	Bars.	Plates.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
October	6 13 0	6 15 6	6 15 6	7 17 6
November	6 14 0	6 16 6	6 16 6	7 18 6
December	6 12 6	6 17 6	6 17 6	8 0 0
January	6 15 0	7 0 0	7 0 0	8 2 6
February	6 17 6	7 5 0	7 5 0	8 6 3
March	6 15 0	7 2 0	7 2 0	8 5 0
April	6 15 0	7 1 3	7 1 3	8 5 0
May	6 15 0	7 1 3	7 1 3	8 5 0

We give the average monthly prices in each case.

We shall be glad to have an opportunity in due course of placing our views before your Board and should be interested to hear when it is proposed to re-open the enquiry. It would also be of interest to know if your Board proposes to sit in Bombay and take oral evidence as was previously done.

Statement II.—Written Statement dated 10th July 1925.

1. In continuation of our letter of the 29th ultimo furnishing c.i.f.c. prices for Continental steel sectional material and with reference to your letter No. 317 of the 2nd instant, we have duly considered the points which your Board have to investigate at this enquiry and we set forth below our views in connection.

2. The first part of your enquiry deals with the question of supplementing the present protection on steel articles beyond the 30th September next. From the figures which we have already furnished it will be seen the change in the c.i.f.c. prices of Continental steel sections have been slight since October of last year, there has, however, been an increase in freights from Continental Ports of 7s. 6d. per ton which brings them into line with freights from United Kingdom Ports, i.e., 22s. 6d. per ton. The price of British steel has since October of last year fallen by nearly £1 per ton, but as the Continental price was then the guiding factor in granting protection the position generally is unchanged.

It would appear that as far as the c.i.f.c. prices of plain steel sections are concerned in this question of protection the payment of bounties sanctioned in October of last year must be continued for the present.

3. As Government have now agreed in principal to the paying of bounties to the Steel Manufacturing Companies in this country rather than affording the whole of the necessary protection by means of enhanced customs duties we feel that as far as plain steel sections are involved it may be possible to lighten the very heavy burden placed on the general consumer. We are raising this point because bounties are a question of ways and means and it would seem from the Indian Customs Revenue returns for the 12 months April to March 1925 that after payment of a bounty to the steel producing Companies there was still a considerable sum in excess of the 10 per cent. duty to which Government is entitled. It is somewhat difficult to give definite figures in this connection but if

	Rs.
Total duties collected on Iron and Steel, Railway Plant and rolling stock and Government Stores (Steel Railway track) 12 months to March 31st, 1925, was	3,62,84,000
deducting Government revenue at 10 per cent. say	2,40,00,000
there was a surplus of	<u>1,22,84,000</u>

We are advised a total payment of Rs. 65,24,000 was made as a bounty to the Tata Iron and Steel Company for the year ending 31st March last and we also realise small bounties would be payable to other manufacturing firms. There however remains this fact, these protective duties were only in force from June 13th of last year and at the present tariff rates there would be a sum available for payment of bounties considerably in excess of Governments' requirements.

The items in the Tariff Schedules on which the general consumer of plain steel is penalised are "Statutory Schedules Nos. 150 and 151," the former Angles, Tees, Beams and Channels, the latter merchant Bars and Rods. We are suggesting a reduction of the "specific duties" on these from the present figures of Rs. 30 and Rs. 40 per ton respectively as by so doing assistance is being given to the fabricating Companies established in this country.

One of the objects of the present enquiry is to ascertain if additional protection is required for "fabricated steel" and we are now suggesting that by decreasing the duties as in the previous paragraph this additional protection will be afforded. It is for this reason we raise a point which at first sight may not appear to be quite relevant to the Board's present deliberations.

As a merchant firm holding large stocks of steel, particularly R. S. Beams, we find Engineering firms to be amongst our largest purchasers. We can show a decrease in tonnage sold since the introduction of the present high duties on steel but how far this has a bearing on the depressed state of trade we are unable to say.

The Tariff Board has laid down that the burden of this protection should as far as the Engineering Industries and the Railways are concerned be lightened as much as possible.

Our case for a reduction in duty therefore rests on the surplus which Government may have available after payment of bounties and without this figure we are unable to suggest to what extent reduction is possible.

4. There is another point to which we must refer whilst not strictly covered by the terms of reference of the present enquiry it is possible it may arise. We refer to the general classification under Statutory Schedule No. 150 of the Tariff, this item for "Angle and Tée, all other sorts, and Beam, Channel, Zed, Troughplate, piling and other structural sections" are all taxed at a specific duty of Rs. 30 per ton unfabricated. It will be realised this wide classification covers very many special plain steel sections, whilst not in general demand are largely used by the Engineering Industries. The manufacture of these special sections is not undertaken in this Country and the heavy duty which has been imposed serves no purpose beyond the provision of revenue.

To take one instance only we would refer to Broad Flange Beams (Grey Process) these are special square flanged sections rolled almost exclusively for use as Stanchions, in fabricated structures. There is no market for them outside the Engineering firms and by paying a duty of Rs. 30 per ton, they are being unduly burdened. The present c.i.f.c. price of Broad Flange Beams is about £8-0-0 per ton and the payment of a 10 per cent. *ad valorem* duty on this instead of a specific duty of Rs. 30 per ton would again afford some assistance to the fabricating industry in this Country.

5. We do not know if your Board will on this occasion take oral evidence in Bombay but we shall be pleased to give any further assistance that may be desired.

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Witness No. 11.

MESSRS. BURN AND COMPANY, LIMITED.

A.—WRITTEN.

Statement I.—Letter dated 23rd June 1925.

Referring to your Letter No. 242 of 23rd May 1925.

As requested we enclose herewith in five copies, a statement giving the c.i.f. sterling prices month by month, from October 1924 up to May 1925, of the various kinds of rolled steel referred to in your letter now under reply.

This statement of prices has been compiled from the price lists sent to us weekly by our London office.

Enclosure No. I.

British to B. S. S.

	Ship Plates.	Sheets $\frac{1}{2}$ ".	Angles.	Flats 5" and over.	Rounds 3" to 5 $\frac{1}{2}$ ".	Joists.	"Castle" Brand Galvanized Corrugated Sheets 22/24 G.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
October 1924	10 5 0	12 4 3	9 3 0	9 13 0	10 12 3	9 3 0	19 8 9 per ton c.i.f. Calcutta.
November 1924	10 2 0	12 2 3	9 2 0	9 12 0	10 12 0	9 2 0	18 13 9 do.
December 1924	10 2 0	12 2 3	9 2 0	9 12 0	10 8 6	9 2 0	18 16 3 do.
January 1925	10 2 0	12 2 3	8 19 9	9 9 9	10 8 0	8 19 9	18 15 6 do.
February 1925	9 18 6	12 2 3	8 17 0	9 4 6	9 17 9	8 17 0	18 10 0 do.
March 1925	9 16 6	12 1 0	8 16 6	9 6 6	10 7 0	8 16 6	18 5 0 do.
April 1925	9 14 0	11 17 3	8 14 6	9 4 6	10 7 0	8 14 6	17 17 6 do.
May 1925	9 12 0	11 12 3	8 12 0	9 4 6	10 7 0	8 12 0	17 12 6 do.

Enclosure No. II.

Continental.

	Ship Plates.	Steel Sheets $\frac{1}{2}$ ".	Steel Angles.	Steel Bars.	Joists (untested).
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
October 1924	7 19 0	8 3 0	6 9 0	6 9 0	6 7 8 per ton o.f. Calcutta.
November 1924	8 1 0	8 5 6	6 12 0	6 12 0	6 7 3 do.
December 1924	8 3 0	8 3 9	6 10 6	6 10 6	6 5 0 do.
January 1925	8 4 0	8 6 0	6 12 9	6 12 9	6 6 6 do.
February 1925	8 1 6	8 8 6	6 13 3	6 13 3	6 6 6 do.
March 1925	8 3 0	8 5 3	6 9 3	6 9 3	6 3 6 do.
April 1925	8 4 0	8 5 9	6 10 0	6 10 0	6 4 0 do.
May 1925	7 19 6	8 1 3	6 7 6	6 7 6	6 0 8 do.

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Statement II.—Representation, dated the 10th July 1925.

With reference to the Notification No. 260-T. (37), dated the 18th June issued by the Government of India and your letter No. 316, dated 2nd July addressed to Messrs. Jessop & Co., Calcutta, a copy of which you kindly forwarded to us, we have pleasure in submitting the following for your consideration.

2. We do not think it is necessary to recapitulate the whole of the evidence which we gave in writing or that which we gave orally during the Tariff Board's first enquiry in September 1923. From the evidence then tendered the Tariff Board came to certain conclusions and made recommendations. We now desire to shew that owing to the altered conditions the recommendations made by the Tariff Board in March 1925 are no longer effective.

3. The conclusions the Tariff Board then came to were as follows:—

- (a) With an exchange rate of 1s. 4d. and steel at Rs. 160 per ton (including wastage) Bridgework could be landed in India at Rs. 250 per ton excluding duty and with duty at Rs. 275 per ton.
- (b) The cost of Indian manufactured Bridgework on the same basis including 10 per cent. duty on steel was Rs. 293 per ton.
- (c) That if the duty on steel was raised to Rs. 30 per ton, the Indian manufactured cost would be Rs. 310 per ton and to meet this it was desirable to increase the duty on imported bridgework to 25 per cent. This had the effect of bringing up the price of imported bridgework to Rs. 312 per ton (Rs. 250 plus Rs. 62). Of this sum of Rs. 62 per ton, Rs. 33 compensated for the duty on unworked steel, Rs. 29 represented the measure of protection afforded to the Industry.

4. The result of these recommendations may be tabulated as follows.
Exchange 1s. 4d. Steel £9-13-4.

<i>Imported Cost.</i>		Rs.
Steel		145
Wastage (10 per cent.)		15
Fabrication		90
		250
Duty (25 per cent.)		62
		312

<i>Indian Cost.</i>		Rs.
Steel		145
Wastage		15
Duty		33
Fabrication		117
		310

5. The conditions which enabled the Tariff Board to form these conclusions have now changed. The rate of exchange to-day exceeds 1s. 6d. while the price of steel is approximately £9-0-0 c.i.f. Calcutta. These two factors together with the menace of the British Trades Facilities Act have changed

the situation. Ignoring for a moment the Trade Facilities Act the results of the two factors mentioned may be tabulated as follows:—

Exchange 1s. 6d. Steel £9-0-0 c.i.f. Calcutta.

<i>Imported Cost.</i>		Rs.
Materials		120
Wastage		12
Fabrication		80
		<hr style="width: 100%;"/>
		212
Duty (25 per cent.)		53
		<hr style="width: 100%;"/>
		265

<i>Indian Cost.</i>		Rs.
Materials		120
Wastage		12
Duty		33
Fabrication		117
		<hr style="width: 100%;"/>
		282

It is therefore obvious that the two factors of rise in exchange and fall in the price of steel have converted the small advantage of Rs. 2 per ton into a disadvantage of Rs. 17 per ton.

6. With reference to the Trades Facilities Act we find that the Calcutta Port Commissioners consider the benefit derived from the Act to be equal to 13.4 per cent. of the c.i.f. price. This figure you will no doubt be able to verify. This has the effect of placing us at a disadvantage of Rs. 28 per ton when tenders are compared.

7. Reverting to your letter No. 316, dated the 2nd instant, we regret we are unable to give you concrete instances of the prices at which orders have been given to European Firms for fabricated steel to be erected in India. Such information is not available to us, all we are told (if we are given the opportunity of quoting) is that our tender has not been accepted. The South Indian Railway have candidly told us we cannot compete with British Manufacturers and they are procuring all the steelwork required for their new shops from abroad. It may also be noted in connection with an order for two spans of 60 ft. which we have just completed for the South Indian Railway they stated in a recent letter to us "It may incidentally be pointed out that the order was placed in this country at a greater cost than if it had been placed at Home solely with a view to securing early and prompt delivery."

8. In regard to the other points you raise:—

- (1) The difference between the imported cost shown in paragraphs 4 and 5 amounting to Rs. 47 is accounted for approximately as follows:—

	Rs.
Rise in Exchange	33
Fall in price of steel	14

- (2) We regret we have no definite information regarding the countries from which fabricated steel is imported nor are we able to ascertain if there has been increased competition from the Continent of Europe.

- (3) The price of unfabricated steel accepted by the Tariff Board in their report was Rs. 145 per ton c.i.f. Calcutta without

duty, to-day it is Rs. 120. This fall has reduced our cost by approximately Rs. 26 per ton.

The Indian Engineering Firms are less favourably situated now than they were. As Messrs. Tatas base their prices on British rates of steel the drop in both cases has been the same but as the steel in fabricated structures pays 25 per cent. while the specific rate of unfabricated steel is Rs. 30 per ton Indian Firms are to-day relatively worse off than they were at the time the Tariff Board formed their conclusions. The following indicates the position:—

As per Report of Tariff Board.

Imported Cost.

	Rs.
Steel in Fabricated Structures	145
Wastage	14-5
	<hr/>
	159-5
Duty 25 per cent.	40
	<hr/>
	199-5

Indian Cost.

	Rs.
Steel in Fabricated Structures	145
Wastage	14-5
Duty Rs. 30 per ton	33
	<hr/>
	192-5

To-day.

Imported Cost.

	Rs.
Steel in Fabricated Structures	120
Wastage	12
	<hr/>
	132
Duty 25 per cent.	33
	<hr/>
	165

Indian Cost.

	Rs.
Steel in Fabricated Structures	120
Wastage	12
Duty Rs. 30 per ton	33
	<hr/>
	165

- (4) We have no definite information on this point due to reasons given in paragraph 7. We consider, however, that Bridges and Structures made from steel of British Standard Specification and fabricated in accordance with the British Standard Specification is less subject to Continental competition than smaller structures such as godowns and tea factories. For any contract of magnitude British competition is exceedingly keen and we consider the size of the contract is a greater incentive than class of structure.

9. In regard to additional protection required we consider on a basis of Exchange of 1s. 6d. it will be necessary to increase the duty of 25 per cent.

to 34 per cent. With exchange at 1s. 7d. a duty of 37 per cent. will be necessary. With exchange at 1s. 8d. a duty of 41 per cent. will be necessary.

In view of the possibility of the rate of exchange going beyond 1s. 6d. (which in fact is even now the case) and in consideration of the fact of the large number of structural engineering firms in India which can probably supply all the steel work required with the exception of major bridges we put forward the proposal that the duty be put up to 37 per cent. on all Bridge and Structural Steel except railroad bridges of 150 ft. span and upwards and an additional sum of Rs. 28 per ton on account of the Trades Facilities Act.

10. In this representation, except where specially noted, we have dealt with structures made of material and workmanship in conformity with the standard British Specification.

We have also assumed that the specific duties now in force on steel will remain unaltered.

Statement III.—Supplementary statement, dated the 20th July 1925.

As requested in your letter No. 368 of the 16th instant, we return the record of evidence tendered by our representative duly corrected.

2. In regard to the statements promised we have pleasure in enclosing a memorandum regarding the question of *ad valorem* and specific duties. We also enclose a combined statement shewing the values, the tonnages and analysis indicating the source from which the orders came each quarter from January 1st, 1923.

3. The values may be considered correct but we cannot guarantee the tonnages to be within 10 per cent. We must point out the values include such items as galvanised iron and asbestos corrugated sheets and in some cases glazing. We regret that the time at our disposal has prevented us attempting the elaborate analysis necessary to eliminate these disturbing factors.

4. In reference to the question of steel flats (barges) referred to on page 28 of the record of evidence we find that the order referred to was placed prior to the passing of the Steel Industry (Protection) Act.

5. In regard to the question of examples of contracts being obtained one year and lost in the succeeding year at the same or at lower rates we regret we are unable to find typical examples. We are unable to state definitely if jobs we have lost have been placed in England or placed with local firms as it is usually impossible for us to obtain this information. We do however know that a few months ago a number of 60 feet and 40 feet bridge spans for the Central Coalfields Railway were placed in England at rates we could not approach.

Enclosure I.

Fabricated Steel.

Memorandum regarding ad valorem and Specific Duties.

In paragraph 9 of our letter of the 10th instant, we assumed that the present system of *ad valorem* duties would be continued, and pointed out how the rise in exchange, subsequent to your last enquiry had adversely affected our position relative to the time when you recommended the increase in the tariff from 10 to 25 per cent. *ad valorem*. As the exchange now stands at 1s. 6d. we submitted that the *ad valorem* rate should be further increased to 34 per cent. in order to secure to us the same benefit as formerly, and that a still further increase to 37 per cent. was necessary if the exchange rose to 1s. 7d. or to 41 per cent. if the exchange reached 1s. 8d.

Whilst it is obviously impracticable to constantly adjust the rate of import duty to a fluctuating exchange, yet the probability of the exchange rising still further, compelled us to ask that the rate of duty should be increased to at least 37 per cent.

It seems clear that *ad valorem* duties as a system of protection are imperfect inasmuch as the measure of protection fluctuates in inverse proportion to its necessity. When the exchange rises and import prices fall, the "margin of protection" contracts and may disappear at a time when protection is most needed. When the exchange falls and import prices rise, the "margin of protection" expands, to an extent probably unintended by the legislature.

If, however, you are averse to increasing the existing *ad valorem* duty, we beg to submit as an alternative a combination of a specific with the existing *ad valorem* duty, viz., 25 per cent. *ad valorem* plus a specific duty of Rs. 24 per ton. This would mean that when the exchange was 1s. 6d. our quotation would be Rs. 7 per ton lower than that of the Home Manufacturer after adding the duty; when the exchange moved to 1s. 7d. the "margin of protection" would disappear, and if the exchange rose to 1s. 8d. the Home Manufacturer could underquote us to the extent of Rs. 6 per ton.

Elaborate and expensive administrative machinery is almost inseparable from any system of *ad valorem* duties and we fear that the foregoing system has all the disadvantages of an ordinary *ad valorem* system but without its simplicity; from its complexity no added advantage appears to secure and the customs would be burdened with the administration of a cumbersome tariff schedule.

Of the two foregoing schemes we feel sure that both from the customs point of view and our own, the former system is preferable.

The Fiscal Commission on pages 146—149 discussed the relative merits of *ad valorem* and specific duties and in paragraph 276 said:—

"Our general conclusion is that, while the Indian Tariff must contain as at present *ad valorem* and specific duties and tariff valuations, the system of specific duties and tariff valuations might be extended cautiously whenever examination by the Tariff Board shows that this is likely to be in the general interests."

A specific duty is simple and easy and certain of collection. A specific duty seems better adapted to function as a protective measure than *ad valorem* duties. When import prices decline the ratio of protection increases, and when import prices rise, the ratio of protection is correspondingly reduced:—Hence a specific duty is the more appropriate form of protection in a fluctuating market. The only objection that is made against specific duties is that when there is a wide range of qualities of the articles taxed, the duty is disproportionately heavier on the cheaper qualities than on those more expensive; but this objection does not apply to fabricated steel of the type under review.

In our letter of the 10th instant we asked that the *ad valorem* duty should be increased to 37 per cent. When the exchange stood at 1s. 6d. this would afford us a "protective margin" of Rs. 8 per ton (viz., our quotation would be Rs. 8 per ton lower than that of the Home Manufacturer after allowing for the duty); if the exchange rose to 1s. 7d. the "margin of protection" would disappear, and should the exchange advance to 1s. 8d. the Home Manufacturer could underquote us by Rs. 8 per ton, viz., a fluctuation of two pence per rupee would mean a difference of Rs. 16 per ton.

Ex.	C. I. F. price.	Duty.	Total.	Duty 37% <i>Ad valorem</i> . Indian price.	± or ∓ in of protection.
1s. 6d.	212	78	290	282	+8
1s. 7d.	201	74	275	275	0
1s. 8d.	191	70	261	269	-8

The following table illustrates the effect of substituting for the *ad valorem* duty of 37 per cent., a specific duty of Rs. 75 per ton.

Ex.	C. I. F. price.	Duty.	DUTY Rs. 75 PER TON SPECIFIC.		
			Total.	India price.	Margin of protection.
1s. 6l.	212	75	287	232	+5
1s. 7d.	201	75	276	275	+1
1s. 8l.	191	75	266	269	-3

It will be seen that as the exchange now stands, we are asking as a specific duty Rs. 3 per ton less than we should obtain by an *ad valorem* duty of 37 per cent. On the other hand, should the exchange rise to 1s. 7d., a small "margin of protection" would still be left, and should the exchange reach 1s. 8d., we should be Rs. 5 per ton better off than if the *ad valorem* duty were operating.

Therefore if possible we would prefer the specific duty of Rs. 75 per ton to the *ad valorem* duty of 37 per cent.; but if our choice is restricted to either the *ad valorem* or an *ad valorem plus* a specific duty then we would prefer the former.

Enclosure II.

Summary of orders for Structural and Bridge work from January 1923 to June 1925.

Period.	TOTAL.		ANALYSIS.											
	Value.	Weight.	RAILWAYS.		GOVERNMENT.		INDIAN STORES DEPARTMENT.		MUNICIPAL AND PUBLIC BODIES.		INDIAN STATES.		COMMERCIAL.	
			Value.	Weight.	Value.	Weight.	Value.	Weight.	Value.	Weight.	Value.	Weight.	Value.	Weight.
	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.	Rs.	Tons.
1923.														
1st Quarter . . .	1,80,815	562	76,135	237	13,545	42	..	..	37,800	117	2,699	9	50,636	157
2nd „ . . .	8,41,883	2,536	4,57,616	1,378	2,373	7	..	..	16,451	50	..	..	3,65,443	1,101
3rd „ . . .	3,03,135	962	1,25,843	399	1,14,862	365	42,580	135	..	..	..	..	19,850	63
4th „ . . .	95,408	306	47,423	152	14,007	45	..	..	..	..	9,875	32	24,103	77
1924.														
1st Quarter . . .	4,52,937	1,466	1,98,251	642	16,884	55	..	..	60,375	195	4,025	13	1,73,402	561
2nd „ . . .	7,70,060	2,369	1,64,585	506	..	..	3,68,497	1,134	1,40,194	431	56,333	173	40,451	125
3rd „ . . .	7,23,422	2,349	3,60,440	1,199	44,097	143	2,91,506	947	..	..	..	..	18,379	60
4th „ . . .	7,04,780	2,296	6,12,021	1,994	46,372	151	..	..	16,546	54	26,985	88	2,856	9
1925.														
1st Quarter . . .	7,43,352	2,461	5,97,502	1,978	44,728	148	4,078	14	8,688	29	..	..	88,356	292
2nd „ . . .	2,20,707	746	1,04,469	353	6,930	24	..	..	..	..	..	..	1,00,308	369

MESSRS. BURN AND COMPANY, LIMITED.

B.—ORAL.

Evidence of Messrs. T. M. SHEWELL and J. D. BALFOUR,
recorded at Calcutta on Tuesday the 14th July 1925.

President.—I should like to begin by saying that we are much indebted to you both for the information that you have given about prices*, and for the letter† in which you have explained what additional protection you are asking for, and the reasons why you are asking for it. As regards fabricated steel I gather from your letter that, so far as your information goes, the competition is still mainly from Great Britain.

Mr. Shewell.—Yes.

President.—Would that apply specially to the more expensive class of work?

Mr. Shewell.—Certainly.

President.—Then the competition from the Continent of Europe would be in the simpler and cheaper kinds?

Mr. Shewell.—Yes.

President.—You have not noticed that there has been any particular change in this respect during the last year or 18 months?

Mr. Shewell.—No.

President.—There is of course the possibility that a certain quantity of Continental material is now used by the British engineering firms?

Mr. Shewell.—It is so.

President.—That is a possibility?

Mr. Balfour.—But it has got to be up to the British standard specification.

President.—I take it that you have no definite information about that. It is merely an inference that you draw from the increased exports from the Continent to Great Britain.

Mr. Shewell.—Generally speaking, it is so.

President.—In that case, so far as fabricated steel is concerned, it is mainly the British steel. Then there are two factors that have got to be taken into account. One is the rise in the exchange, regarding which there is little to say, and the second is the fall in the price of British steel. Before leaving the subject of exchange, I notice that you suggest that there ought to be some sort of protection against the rise in the exchange to 1s. 7d and 1s. 8d.

Mr. Shewell.—Yes.

President.—I don't know exactly what you have in your mind. Is it something in the nature of a sliding scale of duties? You say "In regard to the additional protection required we consider, on a basis of exchange of 1s. 6d. it will be necessary to increase the duty of 25 per cent. to 34 per cent. With exchange at 1s. 7d. a duty of 37 per cent. will be necessary. With exchange at 1s. 8d. a duty of 41 per cent. will be necessary." That is in the nature of a sliding scale in the duties, but clearly before any sort of automatic scale came into force, the Steel Industry (Protection) Act would have to be amended.

Mr. Shewell.—We don't suggest that. We have put forward a proposal that the duty be put up to 37 per cent. on all bridge and structural steel except railroad bridges of 150 ft. span and upwards, because the exchange is already above 1s. 6d.

* See Statement I.

† See Statement II.

President.—It is approximately at the gold point for 1s. 6d.

Mr. Shewell.—I have got a graph showing the rise in the exchange which generally rises at this time of the year.

President.—The real point is not what the exchange would tend to be if left to itself, but to what extent the Government of India are prepared to deal with it. I suppose there is no doubt that during the past year the exchange might have gone far above 1s. 6d. The question is whether Government will or can maintain the exchange at 1s. 6d. That I think is the real point, is it not?

Mr. Shewell.—Whether they can is the real point.

Dr. Matthai.—That holds good where the exchange is dependent primarily on the monsoon, is not that so?

President.—That is to say, when the export season is on, the exchange tends to be high.

Mr. Shewell.—I think that is the explanation.

President.—It would be of little use for the Board to indulge in speculations as to what the exchange is going to be. Is it your suggestion that, as a safeguard against a further rise in exchange, the duty should be fixed at a point, a little higher than is strictly necessary according to the figures you have submitted.

Mr. Shewell.—Yes.

President.—As regards the price of British steel, the conclusion that the Tariff Board came to last October was that the price of British bars and British plates was very much what it had been at the time they were taking evidence in 1923. That is the sterling price. I shall read what exactly we said in our Report.

“The sterling prices of British bars and plates have not varied much during the past twelve months, and are still at about the same level as they were in the latter part of 1923, or probably a little higher.”

“The prices of British structural sections (beams, angles, channels, etc.) have fallen appreciably during the last six months and are now about 10 shillings a ton below the prices of the period covered by our previous enquiry.”

Is that generally in accordance with your information?

Mr. Shewell.—Yes. Generally speaking it is so.

President.—So that, so far as this factor is concerned, the fall in the price of British steel has mainly occurred in the last eight or nine months.

Mr. Shewell.—Yes.

President.—Let us take first the price of British bars. You said that the c.i.f. price in May 1925 was about £8-12-6. According to the statement you sent us at the time of our last enquiry, the price for September 1924 was £9-13-0.

Mr. Shewell.—Yes.

President.—So that since then there has been a fall of about a pound according to your information. The first point I wanted to ask about was this. Your figure for September is, as I have said, £9-13-0 and your figure for October was £9-3-0, so that there was a sudden drop of 10 shillings at that point.

Mr. Shewell.—Yes.

President.—I have not been able to trace that drop in any of the other figures sent in, and I don't recollect that at that time there had been such a large fall. I may be quite wrong about that, but I want to be sure whether that is according to your information.

Mr. Shewell.—From August-September to November-December the drop was about 12 shillings.

President.—The price for October was £9-3-0 and for November and December £9-2-0. There was a small decline in these three months.

Mr. Shewell.—Yes.

President.—As regards these prices you have given us, would you mind telling us what your source of information is? Is it from the cables of your Home office?

Mr. Shewell.—I am not quite sure which of our statements it is you are referring to.

President.—I am referring to the figures which you sent in with your letter.

Mr. Shewell.—These prices were obtained from lists which we receive from our London office every week.

President.—By post or cable?

Mr. Shewell.—By post.

President.—Are these in accordance with the prices at which you actually do business?

Mr. Shewell.—They are merely a general guide. We don't do business on those prices. They are sent by our London Office for information showing the trend of prices.

President.—The terms on which you actually do business might be different.

Mr. Shewell.—Yes.

President.—Do you find that on the whole the lists agree with the terms on which you can do business?

Mr. Shewell.—We can usually buy cheaper.

President.—In the statements you sent in at the time of our previous enquiry, if the export price quoted in the Iron and Coal Trades Review (the f.o.b. price) was compared with your c.i.f. price, the difference between the two prices was about equal to the freight and insurance charges, and sometimes it was rather more. For instance, in September the f.o.b. price was £8-8-0 and your price was £9-13-0. There is a difference of 25 shillings which I take it would cover freight and insurance. That is what one would expect it to be. But now according to the Iron and Coal Trades Review the f.o.b. quotation for May is £7-17-6; that is the average for the month, whereas your figure is £8-12-6 the difference having gone down to 15 shillings.

Mr. Shewell.—We saw the variation ourselves.

President.—What is your view about the Iron and Coal Trades Review quotations? Ordinarily, I take it that in normal times they are fairly close to the terms on which business can be done. Do you think that at present they are only nominal prices?

Mr. Shewell.—I am not prepared to say that.

President.—I put the same question to Mr. Roddick when he was giving evidence yesterday for Messrs. Jessop and Company. According to the Iron and Coal Trades Review since September last the fall in the price of beams has only been about 10 shillings a ton, whereas, both according to Messrs. Jessop's statement and according to yours, it is about a pound. It is common knowledge that in times when trade is very depressed, trade paper quotations are always apt to become nominal. Do you think that is characteristic of the steel trade at the present time?

Mr. Shewell.—We can certainly buy at a considerably lower price than the price given in the Iron and Coal Trades Review.

President.—Do you think that is so to a greater extent now than it was in 1923 or 1924?

Mr. Shewell.—I would not like to express any definite opinion on that.

President.—I think as regards the bars it is rather the other way. The fall in the price given by you is rather less than in the Iron and Coal Trades Review quotations. Your October price is £9-13-0 and your May price is £9-4-6. The difference there is 8 shillings and 6 pence, whereas, according to

the Iron and Coal Trades Review, the fall is about 15 shillings. Do you do much business in bars or are the other sections more important to you?

Mr. Shewell.—We use a great deal of the other sections.

President.—Are you more interested in the other sections?

Mr. Shewell.—Yes. I think the difference might be explained here. In the statement which we sent to you we talk about flats 5" and over. The Iron and Coal Trades Review quotation talks about bars. I think the term 'bars' refers to flats under 5" and not above.

President.—It is not of great importance.

Mr. Shewell.—Generally speaking, bars do not enter into our business to the same extent as angles or plates or joists.

President.—The total import of British bars is not very large. Then as regards galvanised sheets, as between October and May, the fall according to your statement is about 36 shillings a ton. It is rather bigger than the fall in the Iron and Coal Trades Review quotations which is about 30 shillings. Here again do you do a great deal of business in galvanised sheet?

Mr. Shewell.—Quite a large business.

President.—Is that merchant business?

Mr. Shewell.—No, that is for fabrication work.

President.—For your own engineering works?

Mr. Shewell.—Yes.

President.—For October the quotation is £17-19-6 and for May £16-9-0. These are averages in each case for the month.

Mr. Shewell.—I think for May it is £16-10-0.

President.—Taking beams, channels, bars and plates, what would you say is the average amount of the fall in the sterling price of British steel since the Board first reported?

Mr. Shewell.—I think we have given you that information.

President.—You have given it in rupees.

Mr. Shewell.—About 13 shillings and 6 pence all round.

President.—In paragraph 8 of your letter you say "The difference between the imported cost shown in paragraphs 4 and 5 amounting to Rs. 47 is accounted for approximately as follows:—

Rise in exchange	Rs. 33
Fall in the price of steel	Rs. 14"

That is what you are referring to.

Mr. Shewell.—We also show it in the comparative tables that we have given you.

President.—In paragraph 4?

Mr. Shewell.—Yes, and in paragraph 5. It is £9-13-4 in the one case and £9 in the other.

President.—Is it your view that the fall in the sterling price of British steel is only 13 shillings and 4 pence a ton?

Mr. Shewell.—It is more than that.

President.—According to your own price figures, it is about 30 shillings.

Mr. Shewell.—I got quotations yesterday indicating a further fall of 5 shillings a ton.

President.—You mean, on more recent information?

Mr. Shewell.—Yes, on the information received by yesterday's mail.

President.—But apart from that, I am surprised to find that you make out the difference so small. On the price figures you yourself have submitted, it is a great deal more.

Mr. Shewell.—I don't see the contradiction yet.

President.—Take the British bars. You said that you would accept the Tariff Board's view. In October 1924 the price of British bars had fallen already by about 10 shillings as compared with the price during the period which the Board took as the basis in their original recommendations, and since then there has been another fall which makes about 30 shillings altogether. Where do you get this £9-13-4 from?

Mr. Shewell.—I have taken that from your own figures. You have given the price of steel as Rs. 145.

President.—What period have you taken?

Mr. Shewell.—The period that you took in your Report.

President.—We did not say quite definitely what period we took. That was the reason why I asked you. I want to know just how you arrived at £9-13-4. Did you work back or what?

Mr. Shewell.—I worked back from your figure and converted it at the rate of 1s. 4d. to the rupee.

President.—Rs. 145 at 1s. 4d. to the rupee is £9-13-4.

Mr. Shewell.—Yes.

President.—Coming on to the next table in paragraph 5, did you begin with Rs. 120 and work back to £9?

Mr. Shewell.—I began with £9.

President.—Is that taken on the actual price? Did you take, for instance, the price which you have given for beams and work on that?

Mr. Shewell.—I took the actual price. There we are dealing with the girder bridge as a typical example of structural steel. I have assumed for this purpose 60 per cent. of that is steel plates and 40 per cent. is sectional materials, plates being more expensive. The average price of these two is £9 a ton.

President.—The reason why I am asking you about all these points is this. The price you have given for materials is Rs. 120 which I take it is £9 converted at the rate of 1s. 6d. to the rupee.

Mr. Shewell.—Yes.

President.—It is almost unexpectedly high. I should not have been surprised if the figure was appreciably lower. If you took a particular piece of work in which plates formed a considerable proportion, that would of course affect the cost of materials.

Mr. Shewell.—I could not then justify a lower figure, although I could to-day.

President.—On more recent advice? Is that merely a quotation or price that you have actually paid?

Mr. Shewell.—Orders actually placed.

President.—It will be another 5 shillings lower?

Mr. Shewell.—Yes.

President.—You see that the difference you have arrived at is something like Rs. 17 a ton and that is correct, is it not? You want an addition of Rs. 17 to equalise the imported cost with the Indian cost.

Mr. Shewell.—Yes.

President.—That is actually lower by Rs. 5 than the sum which the Board thought necessary (on theoretical grounds mainly) in their Report which they sent to the Government of India last November.

Mr. Shewell.—I am aware of that.

President.—But this 5 shillings would nearly equalise the costs. It would work out to very nearly the same thing. It would be about 5s. 6d. which would mean a difference of 3 to 4 rupees. In that case there would not be very much difference.

I should like to ask you one or two questions about the Trade Facilities Act and the extent to which it is prejudicing the prospects of Indian steel.

You say "that the Calcutta Port Commissioners consider the benefit derived from the Act to be equal to 13·4 per cent. of the c.i.f. price." I gather that the Port Commissioners have actually been borrowing under the Trade Facilities Act.

Mr. Shewell.—Yes

President.—Have you any precise information as to the total amount borrowed?

Mr. Balfour.—£500,000.

President.—Has it directly affected your own firm? Have you failed to obtain work from the Port Commissioners, which you think you might have obtained but for the operation of the Trade Facilities Act?

Mr. Shewell.—Strangely enough, it has not.

President.—It has not actually affected you.

Mr. Shewell.—It might have affected us, but owing to a slip on the part of the Port Commissioners, they failed to send us an enquiry.

President.—You did not actually quote?

Mr. Shewell.—No.

President.—Was it for a job, for which you would ordinarily have been asked to quote?

Mr. Shewell.—Yes.

President.—So, it was more or less an accident?

Mr. Shewell.—Yes.

President.—If you had not been knocked out by not being asked to quote, you might have been knocked out by the Trade Facilities Act.

Mr. Shewell.—Yes.

Mr. Balfour.—But we have done a lot of similar work for them at about the same time.

President.—Can you explain to the Board how the advantage arises to the British firm under the Trade Facilities Act, or rather how the purchaser in India buys cheaper, when he can borrow under the Trade Facilities Act?

Mr. Shewell.—I am afraid I cannot go into details.

President.—I do not expect you to go into details, but generally how does it happen? For instance, the Port Commissioners of Calcutta have got certain tenders from British firms and certain tenders from Indian firms. Let us assume that the prices in Great Britain and India would work out practically the same. I gather that under the Trade Facilities Act in some way it pays the Port Commissioners, when the two prices are identical, or even when the Indian price is lower, to purchase in Great Britain. Generally how would that happen?

Mr. Shewell.—I presume that under the Trade Facilities Act they can borrow cheaper than at which they can raise loans.

President.—This figure of 13·4 per cent., was that what the Port Commissioners gave you?

Mr. Shewell.—That is their own calculation.

President.—Do you know of any other case in which a public body or a firm in India is taking advantage of the Trade Facilities Act in connection with steel work?

Mr. Shewell.—I have no definite information at all.

President.—This is the only definite case you know of.

Mr. Shewell.—Yes.

President.—You suggest that an additional duty of Rs. 28 might be necessary in order to counteract the operation of the Trade Facilities Act. Would not that be a rather difficult thing to do, if the Trade Facilities Act affected only a small proportion of the imports?

Mr. Shewell.—I admit it is extremely difficult.

President.—Don't you think that there would be a good deal of opposition to it from the people who would be adversely affected and who could make out a strong case?

Mr. Shewell.—I admit that.

President.—Have you any alternatives to suggest to an increase in the duty? Moreover, there is this further objection. If the Government of India and the Indian Legislature were to put on an extra duty on imported steel with the express object of keeping out of the country steel purchased by borrowers under the Trade Facilities Act, it is not altogether improbable, is it, that the British Government and the British Legislature would give orders that no further advances should be made to any firm in India?

Mr. Shewell.—It is extremely probable.

President.—They might say "if you don't want it, we are not going to force it down your throat." In that case, it would be prejudicial to the other industries.

Mr. Shewell.—I fully appreciate all these points. At the same time, you asked us in your enquiry to make our suggestions, and we made them. Personally, I don't see any way out. It is an extremely difficult position.

President.—The natural method of retaliation would rather be, I should have thought, for the Government of India to devise a similar scheme.

Mr. Shewell.—Yes.

President.—To that of course no conceivable objection could be taken. It is for the Finance Department of the Government of India who would have to find the money. But it seems to me—I am following the same lines on which we discussed the matter with Mr. Roddick yesterday—to be a very difficult matter for the Board to make a recommendation for imposing a higher duty expressly on the ground of the Trade Facilities Act, especially when only one concrete instance has been adduced in which the result of the Act has been to deprive the Indian firms of orders. It is quite possible there may be other cases which enquiry would disclose, but as you know, if anything is to be done in the direction in which you want additional protection, it has got to be done at the next session of the Legislative Assembly and there is not too much time.

Mr. Balfour.—It is very difficult for us to get information.

President.—Still, if the information is not there, what is the Board to do?

Mr. Balfour.—Would it not be possible for the Board to get the information from the Government of India?

President.—They may not have it.

Mr. Balfour.—The Bombay Port Trust people might be getting their requirements under the Trade Facilities Act. Would not the Government of India then have information about that?

President.—I should think they probably would. Inasmuch as the Board have to report to the Government of India, they cannot call on the Government of India for information. It seems to me that, before any definite recommendations could be made about the Trade Facilities Act, something of the nature of a special enquiry is required. It could not be disposed of in a couple of weeks. It might be a matter of six weeks or even two months. You have to be sure that you have got the facts.

Mr. Shewell.—In our letter we refer to this as a menace. The danger is there. There is nothing to prevent the Corporation of Calcutta, the Public Works Department or the Canal Department from doing the same. Still I think the menace is there. Presumably, the Bengal Nagpur Railway and other Company lines could do so.

President.—Is it only within the last few months that this has come to your notice at all?

Mr. Shewell.—Yes.

President.—The Act was passed in 1921, so that the menace has been there for over four years.

Mr. Shewell.—I don't think that the Act was understood for some years or appreciated.

Dr. Matthai.—Can you say why?

Mr. Shewell.—I cannot say why.

President.—You say in paragraph 8 "The Indian engineering firms are less favourably situated now than they were." That is, I take it, relatively to the British engineering firms.

Mr. Shewell.—Yes.

President.—Then you say "As Messrs. Tata's base their prices on British rates of steel the drop in both cases has been the same." All the evidence that we received in our enquiry last November—and I don't think there has been any change since—was that they would like to base their price on British steel, but they were quite unable to do so. Is it still true that the sales to the engineering firms follow the price of British steel?

Mr. Shewell.—I believe our statement is correct in the case of steel for all fabricated structures.

President.—Do you buy steel under a running contract with the Tata Iron and Steel Company?

Mr. Shewell.—Yes.

President.—When you are buying your steel for fabricated steel work from them, do you still pay Rs. 5 a ton less than the British price?

Mr. Shewell.—We are doing so.

President.—If you were buying for merchant business what would you give?

Mr. Shewell.—We have had special deals with Tata's for merchant bars.

President.—And also for the steel that you have bought for wagons?

Mr. Shewell.—Yes.

President.—Otherwise, you are still buying on the basis of British prices?

Mr. Shewell.—Yes, for fabricated steel work.

President.—The average price which Tata's have actually received during the last eight months for their sales to the engineering firms is decidedly below the British price. They have given us their average price. It actually works out a good deal lower and that is why I have to ask these questions.

Mr. Shewell.—Is that for British standard specification steel?

President.—That would be an average of all their sales, excluding the steel for wagons.

Mr. Shewell.—The statement which I make here refers solely to steel used for fabricating purposes. There is no reference made at all to wagon steel or anything else.

President.—In paragraph 9 you suggest an increase in the rate of the *ad valorem* duty. Do you prefer that to a specific duty on imported steel? What the Board proposed last November was that, instead of an *ad valorem* duty, an additional specific duty should be imposed, and what was very much in their mind then was the perpetual question of the exchange which automatically cuts down an *ad valorem* duty. But there may be good reasons for your preference—if it is a preference—for the *ad valorem* duty. What I should like to know is your reasons.

Mr. Shewell.—I am not prepared to say we have a preference for the *ad valorem* duty.

President.—The reason why I ask this is because it follows immediately after what is stated in clause (4)—"We consider however that bridges and structures made from steel of British Standard Specification and fabricated in accordance with the British Standard Specification is less subject to Continental competition." What struck me was that, if you were feeling the competition more in expensive kinds, you might prefer the *ad valorem* duty. The point is rather this. The Board in their original report were

compelled to take an average figure for fabricated steel, recognising quite clearly all the time that it was no more than an average. If the competition was about even in all classes of work, it did not matter very much whether the duty was *ad valorem* or specific, but if it were the case that the competition was keener for expensive works, the *ad valorem* duty might be more favourable. Are you prepared to make any statement about that? For which class of work is competition keenest?

Mr. Shewell.—The keenest British competition is felt in the standard spans required in India by Indian railways.

President.—What would be your cost per ton for works of that kind approximately?

Mr. Shewell.—About Rs. 300.

President.—Taking it at Rs. 300 for the moment, if the duty were specific, it would only amount to Rs. 17 a ton extra duty, but if it were *ad valorem*, it would be Rs. 27. Do you see the point?

Mr. Shewell.—Quite.

President.—Are you prepared to make at the moment any statement about that or would you like to think it over?

Mr. Shewell.—I would much prefer to think it over.

President.—Would you please let us know in due course what your views are and your reasons?

Mr. Shewell.—Yes.*

President.—In paragraph 9 you say that the duty should be put up to 37 per cent. on all bridge and structural steel, except railroad bridges of 150 ft. span and upwards. Do you mean that these big span bridges are beyond the capacity of Indian engineering firms?

Mr. Shewell.—Generally speaking, I should say they are.

President.—And your proposal is that those should remain subject to the present rate of duty?

Mr. Shewell.—Yes.

President.—Would it be a practical proposition, you think, to draft a Customs schedule so as to exclude them?

Mr. Shewell.—I should have thought so. Railway bridges are bought only by certain people.

President.—I see your point. Railway bridges are required only by the Railway Board or Railway companies and they should be able to say what these are for. But take, for instance, structural steel. Is that intended to include all fabricated structures according to the definition in the Tariff schedule as it stands at present?

Mr. Shewell.—Yes.

President.—It would not be very easy to attempt at the present stage to discriminate between different types.

Mr. Shewell.—It is quite practical.

President.—What we are dealing with is additional duty under the special clause of the Steel Industry (Protection) Act, which would only require administrative sanction of the Executive Government, but if you are going to alter the definition in the schedule, it becomes a complicated business altogether. In addition, there is one other point. Your firm do a fair amount of work of building, launches, barges and flats. I dare say you know that the Central Board of Revenue has ruled that the effect of the changes made in the tariff was to make vessels imported from abroad subject to the protective duty, if they came out in the form of fabricated steel. That was not really in accordance with the original intention of the Board. The Central Board of Revenue of course have no concern with the original intentions of the Board—they have only to interpret the wording of the Act—but, as you

* See Statement III, Enclosure I.

know, the India General Steam Navigation Company and the Irrawaddy Flotilla Company, have both protested against the increase in the duty, and we shall have to hear what they have got to say. The point now is, it is somewhat embarrassing for the Tariff Board to propose an increase in the duty on imported vessels at a time when there is still pending an unheard representation against the increase already made. In these circumstances, do you not think it reasonable that this question should stand over?

Mr. Balfour.—These steamer companies have told us that they will be requiring barges and flats next year, and your recommendations will be published before that.

President.—Have you found any difficulty in obtaining orders for steamers and other inland vessels in the last six months?

Mr. Balfour.—The River Steam Navigation Company got three 200 ft. steel flats out from Home last year. We tendered for these.

President.—When was this?

Mr. Shewell.—We will look up and let you have the exact date.*

President.—Was it before or after the passing of the Steel Industry (Protection) Act.

Mr. Shewell.—I am afraid I cannot tell you.

President.—The point I have got to put to you is, after their original enquiry, the Board were not satisfied that protection was required for the manufacture of river vessels at all. The effect of the Act that has been passed is that you have actually received protection for such vessels. It seems to me that it is exceedingly difficult just now to recommend increased protection without disposing of the protest against the protection already given. I mention it now because it is a point the Board will have to consider. I don't wish you to think that the Board has yet made up its mind; the reason I mention it to-day is that I would like you to think it over and let the Board know what view you take of it, and they will be very glad to consider what you have got to say. The difficulty arises simply owing to the limitation of time. If we had another fortnight, in all probability we could dispose of the whole thing once for all. But we are working to a time limit and I am sure that it is not possible.

I should like to refer now to our letter of the 2nd July to Messrs. Jessop and Company, Limited, a copy of which was sent to your firm amongst others. The particular point I am anxious about is the evidence as to the fall in the actual price you can get for fabricated steel. You have said in your letter that, when your tender is unsuccessful, you find it very difficult to find out at what price the order has actually been secured by some British engineering firm. I can understand that, but it is nevertheless very important, if the Indian engineering firms wish their application to be successful, that they should give definite evidence as to the changes that have taken place since 1923 or 1924 in the price of fabricated steel work. The Board made certain recommendations last November. No action was taken on it by the Government of India—one of the reasons may have been the absence of definite evidence as to the actual difference in price as distinct from the theoretical difference. Your calculations are on the same lines as those made by the Board, but they are in a sense only theoretical. They show what changes ought to have occurred in the price of fabricated steel work, but it will make your case a great deal stronger if you can show that the change has actually occurred. If, for instance, you can give a tender in 1923 for, let us say, a bridge, and again in 1924, after the passing of the Steel Industry (Protection) Act, say in July or August, and again in 1925. The difference in the price between these three years might be very valuable evidence to show that you are actually finding it difficult now to obtain orders.

Mr. Balfour.—You mean our quotations?

* See Statement III, para. 4.

President.—Of course the very best evidence would be three successful tenders. That might not be possible, but it would also be valuable evidence for you if you can show that last year, say in July 1924, you obtained an order at, say, Rs. 250 a ton and in 1925 you failed to obtain a similar order at Rs. 320. It is evidence of that kind that is needed, if it can be obtained, and I should like you to remember that it is not only a question of what the Tariff Board may recommend, but of the orders to be passed by the authorities who are to deal with it finally. I have mentioned bridge work as an instance. If you are in a position to give similar information for other classes of work, say, oil tanks or anything of that kind, the more you can give the better. That is all I can tell you. It is very desirable in your own interest that it should be done, if possible. If you can before the end of this week give us the information it would be an important part of your case.*

Dr. Matthai.—I find in your calculations you assume that the cost of fabrication will remain the same.

Mr. Shewell.—Yes.

Dr. Matthai.—As I understand it, it is a sort of convenient hypothesis. Can you tell us how far it has actually varied, in fact, whether there has been any change in the cost of fabrication?

Mr. Shewell.—It is extremely difficult to make a definite statement about it. In the first place, our establishment charges are calculated at a certain percentage on the value of the material.

Dr. Matthai.—Do you mean that the cost of fabrication is estimated at a certain percentage on the cost of material?

Mr. Shewell.—Yes, very approximately.

Dr. Matthai.—On the other hand, your coal has gone down.

Mr. Shewell.—Yes, but wages have gone up.

President.—The cost of coal in England also has gone down though not quite to the extent as in India I should think. But there has been a fall.

Mr. Shewell.—Yes.

Dr. Matthai.—With regard to the evidence you give about tenders you speak only about the South Indian Railway. That has reference to the steel work required for their new work shops?

Mr. Shewell.—Yes.

Dr. Matthai.—Contracts for that must have been placed some time ago?

Mr. Shewell.—They have been placed shop by shop extending over a long period.

Dr. Matthai.—This particular reference you are making is quite recent?

Mr. Shewell.—Yes.

Dr. Matthai.—How recent?

Mr. Shewell.—We probably got the order in February or March this year.

Dr. Matthai.—That contract would be regarded as an exceptionally large contract as contracts go in India?

Mr. Shewell.—You mean the shops?

Dr. Matthai.—Yes.

Mr. Shewell.—Very large.

Dr. Matthai.—In the case of an exceptionally large order, they would get a preferential rate, wouldn't they?

Mr. Shewell.—They would get very keen quotations.

Dr. Matthai.—Now, when the Tariff Board proposed protection for fabricated steel industry on a basis of 25 per cent. *ad valorem* duty, the idea was that you should be given not merely compensating protection but also substantive protection, and one important reason why a suggestion was made to that

* See Statement III, para. 5.

effect was that you provided an important market for the Indian steel industry and from that point of view I am interested to know how much Indian material you take.

Mr. Shewell.—It is very difficult to give anything like a proportion; it is steadily increasing year by year. Indeed, in the case of an ordinary railway bridge of 60 or 40 ft. span, practically the whole thing is made from Tata's steel. But with a bridge of bigger span, which requires certain heavy sections and joists which are not yet made by Tata's, we have to import them.

Dr. Matthai.—That is the real point I suppose. If it is possible to get the sort of material you want from Tata's, you take them from Tata's, may I put it that way?

Mr. Shewell.—Certainly. I would go further and say that if the design of a structure is left to us we so design it as to enable us to use sections manufactured by Tata's.

Dr. Matthai.—You say the question of competition depends upon the magnitude of the contract. Is it possible to say what would be the minimum size of a contract acceptable to a British firm?

Mr. Shewell.—It may be any size.

Dr. Matthai.—What you mean is that, since there is this very keen competition, they would accept any size of contract?

Mr. Shewell.—Yes. In the past when trade was more or less normal the India office would invite tenders from Home firms. Firms would accept contracts of any size but in the case of small contracts, their prices would be higher.

Dr. Matthai.—You don't go in for these small structures, tea factories and so on?

Mr. Shewell.—Yes. It is quite an important part of our business.

Dr. Matthai.—In regard to that are you up against a good deal of foreign competition?

Mr. Shewell.—Yes.

Dr. Matthai.—And that would come entirely from the Continent?

Mr. Shewell.—Yes.

Dr. Matthai.—Can you tell me what proportion of your output goes to private consumers apart from Government and public bodies and railway companies?

Mr. Shewell.—I can obtain the information for you.

Dr. Matthai.—I will tell you what my interest in it is. The President was referring to the Trade Facilities Act. I don't have any clear idea at present as to the class of materials that would come under the Trade Facilities Act. Supposing it so turns out that the Trade Facilities Act applies only to public utility undertakings, then it seems to me that all the work you do for your consumers, who are not Government or public bodies or railway companies, will probably be outside the scope of the Trade Facilities Act. If I could get some idea of the kind of work you do for other consumers, it will give me some idea of the extent to which the Trade Facilities Act applies in your case.

Mr. Shewell.—I will send you a statement.*

President.—I have just one point that I would like to ask, and that is about the South Indian Railway contract. Any work that you do for the South Indian Railway would no doubt go by sea to Madras, would it not?

Mr. Shewell.—No, it goes by rail.

President.—What is the freight?

Mr. Shewell.—About Rs. 25 a ton.

* See Statement III, Enclosure II.

President.—Therefore, you would be Rs. 25 per ton worse off when you are competing in Madras than you would be in Bengal?

Mr. Shewell.—Yes.

President.—So that the mere fact that you cannot obtain orders for the South Indian Railway for important works is not conclusive in itself.

Mr. Shewell.—I appreciate that point.

President.—During 1924-25 was the total quantity of steel you fabricated greater than in the previous year or was it less?

Mr. Shewell.—During 1924-25 the output was greater.

President.—Do you attribute it at all to the Steel Industry (Protection) Act?

Mr. Shewell.—I certainly do.

President.—Then since the 1st of April this year, has there been any falling off in the quantity of steel you have been fabricating?

Mr. Shewell.—We were booked up with orders received six months ago. We are still working on them.

President.—Therefore, so far there has been no decline in quantity of steel you are fabricating?

Mr. Shewell.—No.

President.—But as regards the orders booked ahead, are you booked for a shorter period than you usually are?

Mr. Shewell.—Yes, we are booked for a shorter period ahead than we were a year ago.

President.—Was it shorter than in 1923?

Mr. Shewell.—I am afraid I do not see the point of the reference.

President.—It is well that we should know all that for this reason that it is a case in which you were booked up with orders months ahead, and it is difficult to see where the case of protection comes in unless you can show that the prices were unremunerative. If, since October 1924, you have been booking fewer orders, that would be evidence which might conceivably help your case a good deal. If you could give us the total quantities of steel involved in the orders booked month by month for period of three years, that might be important. Any information you can give us on that point, I think, would be useful.

One more point I would like to put in the same connection. When you gave evidence before us in 1923 you told us that you were finding it difficult to obtain orders and so on. Well, now comparing the position to-day with the position in 1923, would you say that the position was better then, or is it better now?

Mr. Shewell.—We consider it slightly better to-day.

President.—This point about the orders booked is rather an important one. I regret I did not refer to it in the letters to the firms, but it is rather important—the quantities of steel covered by the orders booked from month to month. If you can make up a statement for 1923, 1924 and 1925 in four quarters it would be useful.

Mr. Shewell.—I can give you a statement of the value received. I am not quite certain that I can give you the tonnage.

President.—The value does not quite give the information we want. If it were possible to give the tonnage it would be much more useful. Supposing you can get the value of the output. Would it be possible for you to give us approximately the tonnage from the information in your possession?

Mr. Shewell.—Yes.

President.—Within an error of 5 per cent.?

Mr. Shewell.—I think I could.

President.—That would be a great deal better than nothing. If you find it impossible to work out the tonnage accurately, you might be able to give an approximate figure of tonnage within an error of 5 per cent. Do you think that you can do that?

Mr. Shewell.—I think I could within that limit.

President.—Let us have, for the three years say from the beginning of 1923, the value of steel you have dealt with and then the quantities of steel which in your opinion the orders would cover.*

* See Statement III, Enclosure II.

Witness No. 12.

BOMBAY IRON MERCHANTS ASSOCIATION.

A.—WRITTEN.

Representation, dated the 7th July 1925.

With reference to your letter No. 315 of the 2nd instant, forwarding a copy of the Press Communiqué issued by the Tariff Board in connection with the forthcoming Steel Enquiry, I am to state that the first enquiry in this matter was conducted by the Board rather hurriedly and the Iron Merchants did not then realise the grave danger to their business and the heavy burden on consumers if higher duties were levied on imported Steel.

After a year's experience the Iron Merchants realised that on account of high prices demand was slack, trade was disorganised and much capital was locked in stocks and in fact for purposes of realising money they had to sell their stocks at great losses. Government on the other hand have collected nearly 1½ crores by additional duties of which they gave 50 lakhs to the Tatas by way of bounty and made a profit in the name of Protection of a crore. My Association is of opinion that Government is not justified in raising additional revenue in the name of Protection. It accordingly makes the following recommendations and suggests that the existing Act and the Tariff Schedule should be amended in the next session of the Legislative Assembly and the Council of State:—

1. That protection to Indian steel should be given entirely by bounty.
2. That additional duties over 10 per cent. existing before the Steel Protection Act was passed be so adjusted as to produce the amount required for bounty.
3. That certain articles which are made in small quantities only at the Tata Iron and Steel Company's Works should be exempted from additional duties. These articles are (1) Rods $\frac{3}{4}$ " to $\frac{7}{8}$ " rounds, and squares, (2) cuttings of bars, rods and plates, (3) circles $\frac{1}{8}$ ", and $\frac{1}{6}$ ", (4) half round and octagonal steel bars, and (5) sheets under 12 B. M. G., i.e., thinner.

I am to add that Sheth Moolji Haridas, Esq., J. P. and G. B. Trivedi, Esq., B.A., have been appointed by my Association as its representatives for examination before the Tariff Board. I have already sent you a telegram to this effect, copy of which is enclosed herewith.

Witness No. 13.

G. B. TRIVEDI, Esq.

A.—WRITTEN.

Statement I.—Letter dated 25th June 1925.

Reverting to your letter No. 236 of 23rd ultimo, I beg now to give you three statements of c.i.f. and local prices of continental steel articles from October 1924 to May 1925, statement showing stocks and quantities expected. The Bombay market does not keep stocks of British goods except of galvanized sheets. I might also observe that on account of higher duties, import business was disorganised and stocks had accumulated, demand was poor and dealers had to reduce prices to clear off stock and lost heavily and consequently the import houses had no business for nearly six months from November to April.

Enclosure I.

Statement No. I.

C. I. F. Prices of:—	Bars.	Angles.	Beams.	Rods.	Plates $\frac{1}{2}$.	$\frac{1}{4}$ and up.	SHEETS.	
							$4 \times 2\frac{1}{2} \times \frac{1}{2}$.	$4 \times 2\frac{1}{2} \times \frac{1}{4}$.
October	6-10-0	6-12-0	6-10-0	7-15-0	8-5-0	7-15-0	9-17-6	11-2-0
November	6-14-0	6-16-0	6-11-0	8-0-0	8-10-0	8-0-0	10-10-0	11-15-0
December	6-10-0	6-12-0	6-9-0	7-15-0	8-5-0	7-15-0	10-5-0	11-10-0
January	6-17-6	6-17-6	6-15-0	8-0-0	8-10-0	8-2-6	10-5-0	11-10-0
February	6-11-6	6-17-6	6-15-0	8-15-0	8-10-0	8-0-0	9-17-6	11-13-6
March	6-12-6	6-15-0	6-12-6	7-15-0	8-7-6	7-15-0	9-15-0	11-10-0
April	6-12-6	6-15-0	6-10-0	7-10-0	8-7-6	8-2-0	9-12-6	11-0-0
May	6-15-0	6-17-6	6-12-6	7-12-6	8-5-0	8-2-0	9-10-0	11-0-0
June	6-10-0	6-12-0	6-12-0	7-5-0	8-5-0	8-0-0	9-10-0	10-17-6

Enclosure II.

Statement No. II.—Local prices in rupees per ton ex godown in Bombay Iron Market November to June.

	November.	December.	January.	February	March.	April.	May.	June.
Bars	185	185	180	180	125	180	135	135
Rods	140	140	140	135	185	130	140	140
Angles	140	140	140	140	135	135	140	140
Beams	185	130	130	130	132	135	140	140
Plates $\frac{1}{2}$	170	165	160	150	145	155	160	160
$\frac{1}{4}$ and up	155	155	145	145	140	145	150	..
Sheets—								
4 x 2 $\frac{1}{2}$ x 2	160	160	155	150	150	160	155	155
$\frac{1}{2}$	200	195	195	195	120	120	130	120
$\frac{1}{4}$	190	185	170	175	165	160	180	175

Enclosure III.

	Tons in stock.	Tons to arrive up to September.
Bars	30,000	20,000
Rods	1,500	2,000
Angles	1,000	500
Beams	3,000	3,000
Plates	1,000	500
Sheets	2,000	1,000

Statement II.—Representation, dated the 7th July 1925.

I am in receipt of your letter No. 314 of the 2nd instant enclosing your communiqué and note the lines on which the Board proposes to conduct the enquiry.

As regards the first point specially referred to the Board by the Government, I am of opinion that the condition of the steel industry has much improved by the Protection given. In spite of an increase of freight of 7s. 6d. per ton, the level prices of the imported steel is still at the same low level as it was in October 1924 when the second enquiry was held and is likely to remain so for long time to come. The Protection should therefore be continued till 31st March 1927.

As regards the second point, I think that in rolled steel, Protection is necessary against all articles enumerated in your communiqué with the following exceptions.

(1) The Protection applies to material correctly rolled. But there is a large import of waste material which is merely remnant and which is due to imperfect rolling. This is £1 to 2 less in value and ought not to be assessed over 10 per cent. for it is waste material and is commonly known as barends; or bar-cuttings; rod-ends or rod-cuttings; plate-cuttings and sheet-wasters. As this was not provided for in the Tariff Schedule for the first time the Customs authorities are charging same duties on this waste material as on correctly rolled material, except in the case of sheet-wasters which are assessed at 15 per cent. The Board should recommend to Government to levy only 10 per cent. duty and amend the Act accordingly.

(2) Similarly the Company does not roll half-round bars commonly known as Tyre Bars and the duty should be reduced to 10 per cent. for this kind of bars.

(3) As regards rods, round and square under half inch, the output of the Company is very small compared with the import and the extras are very high whereas the extras charged by the Continental works are only 12s. 6d. per ton on an average for $\frac{3}{16}$ to $\frac{1}{2}$ rods. Besides, the Company has no roll for $\frac{1}{4}$. For all these reasons the Company should not roll all these sizes at all. At any rate Protection against rods is unjustified and rods under $\frac{1}{4}$ should be assessed at 10 per cent. as before the Protection Act.

(4) For the same reasons, Bars $\frac{3}{16}$ flats should be exempted from the Protective duties; also Octagon steel bars which are not rolled by the Company to a large extent.

As regards wire and wire nails during the one year of Protection the Wire Products Co. has produced very little and the consumers are taxed unnecessarily. The Company is in financial difficulty and has no proper management and is not working at present. The Protection should therefore be revoked.

As regards the form of Protection it should be entirely by Bounty. The exact amount per ton of production is a matter to be settled between the Company and Board.

Before the war, steel was assessed at 1 per cent. only. During the war it was assessed at 2½ per cent. and after the war 10 per cent. Thus before the Protection came in, the burden had increased by 9 per cent. The Protection has increased the burden to 30 per cent. and 40 per cent. The working of one year's Protection has shown that Consumers are unable to pay increased prices and the stock holders had to reduce their prices to induce their buyers, and thus they lost heavily. Bars and rods cost Rs. 135 and Rs. 150 and were sold at Rs. 120 and Rs. 125 per ton. At present the steel trade is disorganised, calculations are upset, and the double amount of capital has been locked up. Thus, while the Industry has got relief the trade has suffered heavily. The Custom returns of last year show that Government have realised Rs. 22,639 thousands whereas they have paid only Rs. 6,524 thousands by bounty. There is no doubt therefore that the special Tariff scales introduced last year are unnecessarily high. The Fiscal Commission has expressed an opinion as quoted in the paragraph 99 in the first report of the Board, that the assistance to a basic Industry like steel should be by "Bounty rather than by protective duty." The Board have recommended a combination of Tariff duties and bounties because the general treasury was not in a position to provide money required by bounty. Instead of the general tax payer, it is the steel consumer who now bears the burden. The Board has also laid down that "The burden of the consumers is to be restricted as far as possible." The result is, however, quite the opposite and the Board therefore is bound according to its own admission just quoted to revise the present scale which gives the revenue to Government much more than 10 per cent. to which it is entitled. The Company was expected to be able to reduce its cost of production. It has been able with a bounty of Rs. 20 per ton and freight advantage to sell all its output in bars, sheets, plates, and structural material to engineering firms, railways, Government and upper and central India markets. Its stocks have diminished. After giving this general bounty and the bounty on rails and fishplates Government has a large surplus. If the Board is satisfied that the Company requires more bounty, let it raise it. At the best it can be Rs. 30 per ton on 350 thousand tons likely to be rolled per year on an average during the next 20 months. At the best it may require roughly about a crore per year for bounty. Let Government collect this sum by a flat additional percentage on all steel imports over the 10 per cent. it used to collect. This flat distribution of the amount required for bounty will not necessitate unequal Tariff duties levied at present. If, however, the Board does not approve of this suggestion, let the amount be collected by uniform distribution of the amount required amongst articles against which protection is given.

In paragraph 2 of the communiqué, the Board suggests the possibility of an increase in the duties. This is unnecessary as shown above in view of the surplus profit that Government has made during the last year. Let the surplus be utilised for additional bounties and for decreasing the existing duties. In any case the steel trade and the steel consumers are unanimous against any further increase of duties. In this demand I am voicing the opinion of the Bombay Iron Merchants' Association who has authorised me to speak on their behalf on this point.

**THE BOMBAY IRON MERCHANTS ASSOCIATION AND
MR. G. B. TRIVEDI.**

B.—ORAL.

**Oral evidence of Mr. G. B. TRIVEDI and Mr. MOOLJI HARIDAS
recorded at Calcutta on the 17th July 1925.**

President.—We are very much indebted to you, Gentlemen, for coming over to Calcutta to give evidence. On the last occasion we held our enquiry in Bombay and we had no difficulty in getting Bombay evidence, but on this occasion without you we should have been devoid of all Bombay evidence, and we are particularly glad to see you, Mr. Trivedi, because at one time we feared that we should not have the benefit of your views.

I think we may begin now with the prices* you have sent in. The point I want to ask you about is this. In October the c.i.f. price of bars was £6-10 and in January £6-17-6, an increase from £6-10 to £6-17-6. Do you attribute that to the increase in freight?

Mr. Trivedi.—No.

President.—Was it due to a slight hardening of the market?

Mr. Trivedi.—Yes.

Dr. Matthai.—When did the new freight rate come in?

Mr. Trivedi.—In April it was increased by 5 shillings and from July by 7s. 6d.

President.—Between May and June there is a drop in the price of bars from £6-15 to £6-10. What do you attribute that to?

Mr. Trivedi.—Want of sufficient orders at Home.

President.—Do you think it was merely the ordinary conditions of trade?

Mr. Trivedi.—Yes.

President.—The point is this. If it is due to that, then Belgian prices have gone lower than what we considered to be rock-bottom, because when freight is deducted the June price is 7 shillings and 6 pence below the October price.

Mr. Trivedi.—That is so.

President.—Has there been any change in July?

Mr. Trivedi.—It has dropped to £6-10. That is due to a slight fall in the franc exchange.

President.—That might affect the June average to some extent and also the current month?

Mr. Trivedi.—Yes.

President.—There has been some strengthening of the exchange, has there not?

Mr. Trivedi.—Slight.

President.—Supposing the exchange remained permanently lower, how long would it be till the cost of living would compel the manufacturers to put up the wages and the prices?

Mr. Trivedi.—Already there is strike in the Belgian works and the workmen are asking for higher wages. The strike has now extended over a month.

President.—Then your view is that prices are likely to remain where they were in October?

Mr. Trivedi.—Yes.

* See Statement I.

President.—You do not anticipate either a fall or a rise, do you?

Mr. Trivedi.—No.

President.—Unfortunately there is no ground for expecting any rise owing to the general condition of trade?

Mr. Trivedi.—No. The people believe that in the iron industry, there has been over-production all over the world.

President.—Except in the United States of America, which of course is a world by itself so to speak!

Mr. Trivedi.—Yes, they produce for themselves, for their own consumption.

President.—As regards the local prices *ex godown*, I notice in January—taking bars again as typical—the prices dropped by Rs. 5 in January; in March it was lowest, and then it rose again in May and June and went back to where it was in November.

Mr. Trivedi.—That is so.

President.—What is your view about that? What is the explanation of that drop and then the rise again?

Mr. Trivedi.—Fluctuations are regulated by the supply and demand. When the second enquiry was held, the merchants determined not to buy and that lasted for three months nearly, so that they did not indent for three months nearly.

President.—Then there was the increase in May and June. Does that mean that the surplus stocks have now been absorbed and the condition of things is practically normal?

Mr. Trivedi.—The market is trying to re-adjust itself according to the existing situation. What Bombay feels is that its customers from Upper India and the Central Provinces are gone, and the market has got to shrink itself down to meet the conditions existing in the other provinces left to it.

Dr. Matthai.—You mean “by re-adjusting itself” that you are getting smaller imports?

Mr. Trivedi.—Yes. There are smaller stocks in Bombay than is usual.

President.—The Tata Iron and Steel Company are in a position to capture the Upper India and the Central Provinces markets on account of their freight advantage?

Mr. Trivedi.—Yes.

President.—Taking the stock of bars at 20,000 tons, would that have been a large stock, or a small stock or a normal stock two years ago?

Mr. Trivedi.—Generally in May and June stocks are very low and compared with that this is still high.

President.—Then I take it you regard the stocks as being high in view of the smaller market you can command?

Mr. Trivedi.—Yes.

President.—What about the stocks of other classes of steel? Can they be taken as approximately normal?

Mr. Trivedi.—They are under normal. These of course are only subsidiary articles. The chief article is bars.

President.—The sheets you mention here would be black sheets?

Mr. Trivedi.—Yes.

President.—Are you in a position to tell us what the stock of galvanised sheets is in Bombay?

Mr. Trivedi.—In May it was very low and in June also there was slackness of demand, but now it is more than what is wanted, as new shipments are arriving. Of course, as I have already said, the market in this is regulated by the supply and demand.

President.—I quite understand that. The reason why I asked you about this is that the imports into India in April and May amounted to about 52,000 tons, which is about double what it was two years ago.

Mr. Trivedi.—Yes, but I think the demand is increasing because the Home prices have now come down to £17-10 a ton—a difference of £1-10—and the consumers think this is now the lowest price and it is a favourable time to buy.

President.—Is it because they think the selling combines may re-organize themselves and put the price up?

Mr. Trivedi.—Yes.

President.—Has it been the practice in the past to form such combines?

Mr. Trivedi.—Yes, specially in galvanised sheets.

President.—You have given us the quantity of bars which you think is likely to arrive up to September. Is that based on your knowledge of the orders sent?

Mr. Trivedi.—Yes.

President.—For these months is this an abnormally large quantity?

Mr. Trivedi.—No. Generally we take 6,000 tons a month for bars.

President.—This is for three months, July, August and September?

Mr. Trivedi.—Yes.

President.—So that by the end of that period the stock ought to be more or less as they are at present?

Mr. Trivedi.—Yes. But there will be a rise in the demand during the next two months.

President.—The question of the stocks and the probable importation is of some importance in connection with another question and it is desirable that we should find out, if we can, what the importation of these various kinds of steel is likely to be. For instance, the 52,000 tons of galvanised sheets, that came in April and May, meant additional revenue to the Government of India in the two months of about Rs. 9 lakhs at the present rate of duty as compared with the 10 per cent. rate of duty, and if it were possible that the importation of galvanised sheets would go on at that rate for the whole of the year, they could get Rs. 54 lakhs out of galvanised sheets alone.

Mr. Trivedi.—Our best season for galvanised sheets are from January to May, specially April and May.

Dr. Matthai.—What does it really depend upon?

Mr. Trivedi.—People prepare themselves against the rains by having new roofs to their houses, and as soon as the rains set in the demand slackens because all requirements are covered. Our local prices—the stocks being low—in March and April was Rs. 16 to Rs. 17 whereas now it is Rs. 13-8 per cwt.

President.—What do you think about the probable importation of galvanised sheets for the whole year? Are they likely to be as much as they were last year?

Mr. Trivedi.—I think so. My idea is that although the duty may affect the imports, the demand is increasing as the country has not bought its full requirements for four or five years and is trying to make up its arrears.

President.—Last year you got very nearly to the pre-war rate of importation?

Mr. Trivedi.—Yes.

President.—What about bars? They are the most important class of materials from the revenue point of view. In April and May the rate of importation was just half the rate of importation in 1924-25.

Mr. Trivedi.—That was chiefly due to the uncertainty about the second enquiry by the Tariff Board, so the merchants did not import.

President.—You have told us of the quantity of the orders sent home from Bombay. What about the cold weather six months? Do you think that during the cold weather months the imports of bars will be normal?

Mr. Trivedi.—I think so.

President.—But allowance will have to be made for the increased production in Jamshedpur?

Mr. Trivedi.—That is true. We have already been accustomed to know what customers we have lost, but there is much demand coming up from Gujerat and the Maharashtra and that makes up the loss of other customers.

President.—The monthly rate of importation in 1923-24 was about 13,000 tons a month for the whole of India. For April and May it was only at the rate of less than 7,000 tons a month. What do you think would be a reasonable figure to take for the cold weather months?

Mr. Trivedi.—For the whole of India or Bombay?

President.—Tell us about Bombay first.

Mr. Trivedi.—For Bombay it would be easily 5,000 tons a month.

President.—You feel pretty confident about that?

Mr. Trivedi.—Yes.

President.—I am putting this question on the assumption that the duty remains the same as at present.

Mr. Trivedi.—Yes.

President.—As regards the importation of other sections—I don't want to take them one by one, they are hardly important enough—taking the figures you have given here to arrive up to September as being three months demand, do you think the imports would be about double these figures during the next six months?

Mr. Trivedi.—These are very low because there was that uncertainty, but once the merchants find that this question has been settled once for all they will certainly increase their imports. What happens now is that on account of small stocks the consumers have to pay a higher price and there is good demand, so that once the merchants feel that there is no uncertainty they will increase their imports.

President.—The importations during the months up to September might be a good deal below what they were last year, but this you expect to recover in the cold weather months once the question is settled?

Mr. Trivedi.—Yes, specially in the case of bars, because the market deals in Continental sections, while Tatas supply British, and their weights and other things are higher than what we import from the Continent and, therefore, our custom will not be affected. Even now we get enquiries from Upper India for these things.

Dr. Matthai.—This applies particularly to beams and angles, does it not?

Mr. Trivedi.—Yes.

President.—The plates that you generally have are perhaps thin plates, are they?

Mr. Trivedi.—Yes, $\frac{3}{16}$ " and up mostly.

President.—Now, there is this question of the method by which protection should be given and naturally you have expressed a strong view that, if it is to be given, it should be given entirely by bounties and that the duty should be left alone. I do not want to go into this question at the moment, but your view is that, whatever happens, there should be no increase?

Mr. Trivedi.—Yes. No increase.

President.—What you say is "the custom return of last year show that Government have realised Rs. 2,26,39,000 whereas they have paid only Rs. 65,24,000."

Mr. Trivedi.—I have revised these figures afterwards.

President.—The point is this. They have got 2½ crores of rupees at an average rate of duty of approximately 25 per cent., but the duty is not as much as 25 per cent. on the average.

Mr. Trivedi.—Yes.

President.—Then you have got to deduct from that the revenue they would have got from the 10 per cent. duty, so that the nett increase in revenue is not 2½ crores, it must be less than 1½ crores of rupees.

Mr. Trivedi.—I have afterwards revised the figure and I find the total protective duty amounts to Rs. 2,80,17,000.

President.—How do you get to that?

Mr. Trivedi.—On page 223 of the Accounts relating to the Sea-borne Trade and Navigation of British India for March 1925, they are given as follows:—

	Rs.
Iron and Steel	2,15,84,669
Railway Track Material	9,10,975
Othr Government Stores excluding Railway plant and Rolling stock imported by State Railways	48,23,695
Railway plant and rolling stock imported by State Railways	6,97,514
TOTAL	2,80,16,853

President.—But the Railway Track Material includes all imported rails on which the duty is only Rs. 14 a ton.

Mr. Trivedi.—My point is that they have altogether realised this amount including everything. Out of this I find that the amount of revenue at 10 per cent. would have been Rs. 1.30 lakhs.

President.—All that you are doing really is to add the duty which the Government pays to itself. Surely that can't be taken into account?

Mr. Trivedi.—But according to the Act Government have got to pay duty now.

President.—It is open to you to raise the question in so far as the duty is paid by the Local Governments. Such receipts might be in the real sense an income, but we must remember that according to present arrangements the Government of India have got to pay back the duties to the local Governments.

Mr. Trivedi.—But the Local Governments pay only Rs. 5 lakhs.

President.—Whatever the amount is, it has to be paid back again, and the rest of the duty on Government stores must be paid by the Government of India itself in some capacity.

Mr. Trivedi.—Now we regard the Government of India as one of the importers.

President.—I think it would be wiser to leave Government stores out of account altogether.

Mr. Trivedi.—What items would you leave out?

President.—Rs. 6,97,000 and Rs. 48,23,695.

Mr. Trivedi.—That makes a considerable difference then.

President.—I am inclined to think that the printing of the statement is misleading. I think that the duties on Government stores are the duties paid on all the Government imports whether protected or not.

Mr. Trivedi.—I have got another compilation made by another firm in Bombay, Messrs. Geo. Service & Co. They have sent to you their statement. They took it this way

President.—My point is rather this that looking through the whole of the volume, I can find no other entry of the duty on Government stores except on page 223. If that be so, then the duty collected on Government stores means not only the protective duties, but all the duties paid by Government, i.e., what Government paid at 10 per cent. as well as at protective rates.

Mr. Trivedi.—That is all duty collected on steel.

President.—It is not entirely the duty on steel.

Mr. Trivedi.—Government stores include all stores?

President.—The reason why I think so is that I cannot find on any page any entry of the duty on Government stores except on this page.

Mr. Trivedi.—I think it refers to iron and steel.

President.—If you look at the monthly return that is published in the *Gazette of India*, the same figure is given for the duty on Government stores, but in the *Gazette* there is no classification into protective duties and ordinary duties. So I am afraid this page 223 is misleading.

Mr. Trivedi.—I have got an extract from the *Indian Trade Journal* dated 14th May 1925. There they say the protective special duties collected during the month of April 1925 amounted to over Rs. 25 lakhs and the duties on Government stores including the protective duties collected amounted to Rs. 11 lakhs.

President.—Certainly 'including,' but not entirely consisting of protective duties?

Mr. Trivedi.—By Government stores they mean steel.

President.—That cannot be so. The entry comes at the end. The entry is not subordinate to the protective duties, but parallel to it.

Mr. Trivedi.—I leave it to you to find it out, but this is my calculation.

President.—You must take that the total collections were Rs. 2½ crores out of which not more than Rs. 1½ crores was really an increase in revenue. I am writing to all the Collectors of Customs for figures.

Mr. Trivedi.—You will be able to find it better than myself. I have taken it like this. According to this I calculated that after paying the bounty Government realised a surplus of Rs. 85 lakhs. Now you may correct this. Even if you reduce it, it will be at least Rs. 50 lakhs.

President.—I wish I could think so. As far as I can judge at present, taking into account all the liabilities which Government have already incurred for the three years, the bounty on rails would run away with about a crore—it depends on Tata's production but it will probably be in that neighbourhood—bounty on wagons another Rs. 21 lakhs and the additional bounty to Tata's already sanctioned is Rs. 50 lakhs for the 12 months ending 30th September.

Mr. Trivedi.—Of which Rs. 28 lakhs is already paid.

President.—Rs. 29 lakhs is paid up to 31st March 1925 and another Rs. 21 lakhs will be paid this half year. The proposals the Tata Company have made might involve a payment of another Rs. 120 lakhs.

Mr. Trivedi.—Instead of Rs. 50 lakhs?

President.—It is for a period of 18 months instead of a period of 12 months. The reason why it has gone up so much is that they ask that the fall in the price of rails should be taken into account. The total liabilities of Government would then be in the neighbourhood of 3 crores. That is to say, Government has to get an extra crore a year out of the protective duties. If the duties and the bounties are to balance, it would mean an increase of revenue approaching a crore. As far as I can judge from the figures available at present, it is very doubtful whether we can rely on getting so much, and it depends very much on the imports of galvanised sheets and bars. They are the two things that count from the revenue point of view.

Mr. Trivedi.—Our idea is that the corrugated sheets will not suffer, but bars may suffer.

President.—Bars may be less. I may say on working out the figures for April and May, even though the import of bars was only half the import of last year, there is still an increase in revenue in that item.

Mr. Trivedi.—I remember to have seen a cutting only three days ago which gives figures for three months. There it is still higher, I mean the higher percentage is maintained.

President.—My point is this. In spite of the fact that the import of these bars in these two months was very low Government were getting more revenue at the higher rate out of the smaller quantities than they would have got at the smaller rate on the larger quantities.

Mr. Trivedi.—Yes.

President.—There is just one sentence in your representation which I am not quite sure I understand. "The working of one year's protection has shown that consumers are unable to pay increased prices." You are using that as an argument against an increase in the duty.

Mr. Trivedi.—Yes.

President.—It would be correct to say, would it not, that they have not been asked to pay a higher price?

Mr. Trivedi.—I am arguing that even the present level is found so high that the consumers do not pay any increased price but that traders have to pay out of their pocket. This is our experience of one year's protection.

President.—Perhaps you overdid the importation a little in the circumstances. The consumer is sometimes fairly wise, and if he knows that the dealers are very full up with stocks, he will delay his purchases until the price comes down:

Dr. Matthai.—Your explanation is that consumers are unable to pay the existing prices, is that your point?

Mr. Trivedi.—Yes.

Dr. Matthai.—How would you exactly account for that?

Mr. Trivedi.—Because a man who used to pay, say, Rs. 6 per cwt. pays now Rs. 9. He says, "I will not buy my full requirements just now, but only part of my requirements." The merchant has to realise his money. Therefore in order to induce him, he says "instead of Rs. 8, I will charge you Rs. 7."

Dr. Matthai.—There has not been a substantial increase in the price as the result of protection.

Mr. Trivedi.—The local prices have not increased. On the contrary we have suffered.

Dr. Matthai.—If the local prices have not increased, as the President put it to you, the consumers have not been asked to pay an increased price, have they?

Mr. Trivedi.—The consumers have been asked to pay a higher price. But it is not the consumer who pays now, but it is rather the trader who pays.

President.—But steel prices are not higher now than they were before protection.

Dr. Matthai.—I can understand when you say that the consumers are now unable to pay the sort of price that they used to pay, but how you connect it with protection, I don't understand?

Mr. Trivedi.—Take the case of bars. Let us suppose they come in at the old rate of 10 per cent. duty as well as at the new rate of Rs. 40 per ton. In the latter case there is an increase of Rs. 26. Therefore, naturally the merchant has to increase the price. The customer says "I am not able to pay Rs. 26 more. Therefore I won't pay you a higher price." Therefore, the trader has to come down in order to induce the buyers.

President.—Supposing your stocks were low instead of being high, would you drop your price?

Mr. Trivedi.—That is just according to what his curtailed demand is. My stock is low and the customer does not want to buy fully. Therefore, he says "I shall pay this price, because I want it immediately, but for my normal demand, I am not going to pay you a higher price."

Dr. Matthai.—The real point is the consumer now knows that he can get the dealer at some advantage to himself.

Mr. Trivedi.—That will only be for a short time, because the trader if he is wise will say, "I will reduce my stock. It does not pay me to hold stock." But this is the position, I mean, of the whole year.

President.—Your general principle is that you would like to see the whole thing brought to a balance, so that the additional amount collected from the duties would be paid out as bounties, and there would be no surplus left to Government?

Mr. Trivedi.—If Government reserve it for the special purpose of paying bounties, then I have no objection. Next year or in the subsequent year, if there is a fall in the import duties and they have to find money for the bounties, they may utilise this money. To that arrangement I have no objection. But if Government decide to take this over to the general Treasury, then I have certainly a grievance against Government.

President.—I see your point.

Mr. Trivedi.—I wish the Board should support us.

President.—There is a good deal to be said for the theory that, as far as possible, there should be a balance between duties and bounties, but that is not the policy usually followed in protected countries. The United States of America have always derived a greater part of their federal revenue from the protective Customs duties.

Mr. Trivedi.—That may be, but the policy that you have laid down for your guidance and the guidance of the Government is that of discriminating protection. You have said that the consumers' burden should be as light as possible.

President.—I quite agree.

Mr. Trivedi.—As you are giving protection to Tata's you have also to give protection to the consumers.

President.—It is not the object of the Tariff Board to give protection to the consumers. Our duty is to make the burden as light as possible. That is quite a different thing from protection.

Mr. Trivedi.—If we find that the burden is high, we have to plead before you and you have to look into the question and make your recommendations to Government.

President.—The Board may find that a certain sum will be required to be paid as bounty on the production of rolled steel. There may be another liability which might possibly arise in connection with the second part of our enquiry about wagons and under-frames. There are three possibilities. The Board may think that the additional revenue coming from the existing duties would be just about sufficient, or it may find that the duties are likely to leave a surplus after paying the bounties, or on the other hand we may think it probable that less will come in than will be paid out. If they balance, I don't think there is much to be said. If more was coming in than was going out, you would like us to recommend to the Government of India to take off part of the existing duties.

Mr. Trivedi.—Yes.

President.—I am afraid we could not do that, because the Government of India have not asked us to advise them on that point.

Mr. Trivedi.—They have asked you to say how this protection should be given.

President.—They have asked us to report to what extent and in what form the protection given by the Act should be supplemented.

Mr. Trivedi.—And by what means.

President.—You cannot supplement the protection by taking away part of the protection given by the Act.

Mr. Trivedi.—I take my stand on the policy laid down by the Tariff Board and by Government which is discriminating protection.

President.—I don't want you to dwell on that. What I am leading up to is this. Supposing the Board were of opinion that the additional revenue likely to come in would not be sufficient, to meet the bounties, which do you think would be the better plan, to spread any additional duty imposed over all kinds of steel or to select one or two kinds?

Mr. Trivedi.—My idea is that the burden is so heavy that it should rather be spread over than put on one or two articles, if you come to that conclusion at all.

President.—That is your opinion.

Mr. Trivedi.—As we had put up with an increase of duty from 1 to 2½ per cent., from 2½ to 10 per cent., we will put up with it if it is general, but if you discriminate, then certain kind of consumers will be more hit.

President.—It is important to get your opinion on that, because one naturally does not want to disturb things more than one need.

Mr. Trivedi.—My own opinion is that the duties are excessive. On the figures that are actually before us for the last three months (I could not find the newspaper cutting) you will find that the advance is maintained and that there will be no falling off in duties. On the contrary my own expectation is that there will be an increase. It may not be to the same extent, but I am sure there will be a surplus. Therefore there will be no necessity for any additional duty. In case you find it necessary, we request you to postpone it till the next official year, because the constant increase in the duties from time to time upsets the trade, and creates uncertainties.

President.—I quite recognise that.

Mr. Trivedi.—Government may check their figures and in March at the budget time they may announce a general increase in duties if they find it necessary.

President.—Don't you think that there is bound to be a statutory enquiry next year which will start about some time in July to be ready for the cold weather session? The Act will come to an end in April 1927. There will have to be an enquiry in which the whole question will have to be re-opened. That could hardly take less than six months. The Government of India ought to receive the report by December so that the enquiry would probably commence next July. If there must be that enquiry, do you think it will be prudent to have another change in March preceded by another enquiry?

Mr. Trivedi.—I plead for no change.

President.—Would it not be better, whatever supplementary protection may be needed for the period up to the end of March 1927, if it were decided in the coming session? You would be getting 18 months stability.

Mr. Trivedi.—If that is so, our position is clear that there is an excessive duty.

Dr. Matthai.—Assuming that there is need for a change, won't you have rather a change which will operate to the end of the period?

Mr. Trivedi.—I would rather put it off as long as it can be done for this reason. When the merchants came to know that a third enquiry would be held, they decided, seeing that there was an excessive duty, that they should plead for a lessening of the duty and now they think that there is a possibility of lessening the duty. That is how the trade is disturbed.

Dr. Matthai.—I quite understand that.

Mr. Trivedi.—If the Board's opinion goes out that there is a likelihood of a rise in the duty, some think this way and some that way and there is uncertainty.

President.—There is bound to be uncertainty. It is inevitable. Do you want to prolong the uncertainty till March?

Mr. Trivedi.—In view of the fact that the Government have already got a surplus. If there is a deficit, they can meet it from the general Treasury and recover it next year.

Dr. Matthai.—Supposing we find on a full enquiry into all the facts about revenue—I hope we shall not be compelled to—that it is necessary to raise a little more money in order to meet the bounty—you are in favour of the bounty I find from your statement—don't you think it is much better that we dispose of the matter straight away instead of leaving it in suspense. I don't understand your argument as far as that is concerned.

Mr. Trivedi.—There is the grievance of the consumer and the trader, and there is this fact in their mind that there is a Government surplus. There will be a discontent if you raise the duty now without ascertaining all the facts. At present the facts go against the case for additional duty.

Dr. Matthai.—Supposing we are able to show that the facts do necessitate it.

Mr. Trivedi.—If you show that, I am bound to accept it.

President.—I understand quite clearly what your position is, but I am afraid it would be difficult for the Board to bring within the scope of the reference the question of the reduction of the existing duties. That is a matter which must inevitably come up for re-consideration in the next enquiry which will be held next year.

Mr. Trivedi.—That is too long.

President.—If we were to go into that, I don't quite see how this enquiry could conclude.

Mr. Trivedi.—I could only appeal to you from your own report. The policy you have laid down is that of discriminating protection.

Dr. Matthai.—Do you refer there to the Fiscal Commission?

Mr. Trivedi.—No, to the Tariff Board.

Dr. Matthai.—Do you mean the reference about the burden of the consumer?

Mr. Trivedi.—Yes, you have laid down that the policy is that of discriminating protection. As you are now looking into the question of the protection of the steel industry, you have also to look to the interests of the consumers. Please see that the consumers are not unnecessarily burdened.

Dr. Matthai.—Can you give me an idea of your consumers? What sort of people are they? Most of the things that you deal in are, I think, required for building purposes, agricultural purposes and so on. As regards building it is not residential houses, are they?

Mr. Trivedi.—Yes.

Dr. Matthai.—Do you use much steel in the construction of residential houses?

Mr. Trivedi.—In large cities they use steel.

Dr. Matthai.—They would be exceedingly well-to-do people.

Mr. Trivedi.—In large cities it is quite common.

Dr. Matthai.—If you take the middle classes in our country, do they use much steel?

Mr. Trivedi.—They do require bars.

Dr. Matthai.—How much of it is taken by agriculturists for agricultural purposes?

Mr. Trivedi.—25 per cent.

Dr. Matthai.—Do you put it as high as that?

Mr. Trivedi.—Yes. They want these things for their ploughs, axles and bars for their carts, kodalis, etc. Our dealers get their reports from the consumers in up country districts who find it more and more hard to pay a higher price.

Dr. Matthai.—I was wondering when I first saw your statement "that the consumer is unable to pay the increased price," whether you were referring to any possible reduction in the purchasing power of the poorer classes of consumers.

Mr. Trivedi.—You will find that all over the country the purchasing power has decreased. Take for instance the cloth. The mill industry finds that the consumer is unable to pay the price.

President.—If you compare the pre-war and post-war prices of steel, the increase is perhaps not more than 30 per cent., whereas in the case of cloth it is 100 per cent. or more. That being so, I can understand that the consumer is unable to pay the higher prices for cloth.

Mr. Trivedi.—The consumer's buying power has decreased, so also in the case of steel.

President.—Cotton cloth is not a very good analogy for the reason I have given.

Mr. Trivedi.—What I meant was the decrease in the purchasing power of the people is general in the country. In war time our prices went up to Rs. 30 per cwt. The consumption was very little at that time.

President.—Naturally.

Mr. Trivedi.—Excepting the demand from Government for war purposes, there was very little demand by the people.

President.—There was another reason for the small consumption besides the higher price, and that was people often could not get steel, even if they were prepared to pay a higher price.

Mr. Trivedi.—When they found that the price was high, they deferred buying. In this case when they saw that the duty was raised by Rs. 26, they all curtailed their requirements. We had to cut down our prices in order to tempt them, so that my point is that the trade has suffered most.

Dr. Matthai.—I quite appreciate your point of view when you insist on the amount of suffering that the trade has undergone as a result of the protective policy of last year. The difficulty that I cannot get over is this. You say as the result of protection trade has been disorganised. What I suggest to you is that, if trade is disorganised, it is not the result of the protective policy of the Legislature. It is really the result of the action of the traders themselves.

Mr. Trivedi.—We never dreamt that the duties would be so high.

Dr. Matthai.—When the Tariff Board was asked to enquire into this question, naturally, if I were in the business, I would assume it was likely that there might be a question of paying higher duties and I would try and get large quantities in time in order that when the duties really came into force I might be able to take advantage of them. But curiously enough world forces operated against the protective policy of the Legislature with the result that prices instead of going up came down. That would be a plausible explanation of the difficult position in which the dealers found themselves.

Mr. Trivedi.—At the time of the first enquiry the view we took was that Government, in view of the Continental competition, would not give protection by giving bounties of almost Rs. 80 per ton. We were importing at Rs. 100. If Government wanted to raise the price to Rs. 180 then the duty would have to be Rs. 80. We never thought that Government would agree to levy such a burden on the consumers. Therefore, most of our merchants did not believe that.

Dr. Matthai.—Are you speaking of the Bombay market?

Mr. Trivedi.—Yes.

President.—We had a good deal of evidence in our last enquiry that the reason of the high importation last year was that traders did anticipate a higher duty, and expected to get the steel in before the duty became opera-

tive, but they were badly hit for this reason that their steel was held up in Belgium on account of trouble in the docks at Antwerp.

Mr. Trivedi.—That is exactly what I am telling.

President.—It is a little hard to attribute the disorganisation entirely to the protective policy. Perhaps it has contributed its share.

Mr. Trivedi.—This was a new thing to our country and so there was disorganisation.

President.—There still remains one question which you have dealt with in your letter and that is about certain things which you would like to see exempted from the scope of the protective duties. I am afraid very much that this will have to be postponed until the next enquiry.

Mr. Trivedi.—You have said, in your Report, that “the policy laid down for our guidance is that of discriminating protection which restricts the burden on the consumer to the minimum necessary to attain its object.” There is no necessity for protection unless there is something to protect.

President.—Quite true. What I want you to appreciate is not what the opinions of the Board are on that question. My point is that that question is not now before the Board.

Mr. Trivedi.—It is.

President.—It is not within our terms of reference.

Mr. Trivedi.—Government have referred this question to you.

President.—I am quite willing to hear what you have got to say but I cannot hold out much hope.

Mr. Trivedi.—The Board have been asked to report for which of the articles further assistance is required. I say “for bars minus something.” Take, for instance, wire and wire nails. The works for which the protection was intended have ceased to exist.

President.—There is a distinction between wire and wire nails on the one hand, and other kinds of steel on the other, the reason being that at any rate the Tata Iron and Steel Company, whether they actually roll those bars or not, could do so.

Mr. Trivedi.—That is no reason why the consumers should suffer.

President.—I am not on that. At any rate, the manufacture of similar articles is going on, whereas in the case of wire, as far as we know, there is no wire being made in India at present. Therefore, I recognise a distinction between these two cases. Even assuming that the Board made any recommendations at all about wire, it seems to me quite impossible to make any final recommendation until the Indian Steel Wire Products have been heard.

Mr. Trivedi.—Why should they be given an opportunity at all? It is very hard on the consumers. The works were shut down after your first enquiry, and at the second enquiry you found that there had been no production at all. Still, you don't propose to guard the interests of consumers by recommending that this duty should go.

President.—You are assuming that the Tariff Board have authority to advise the Government of India on any matter they like.

Mr. Trivedi.—You have power to recommend.

President.—Our business is to advise the Government of India when they ask for our advice.

Mr. Trivedi.—They have asked you to advise and we request you to recommend that wire nails do not require any protection. If Government do not take action on that, we shall see to that.

Dr. Matthai.—We are confined to the problem of supplementing or not supplementing the protection already granted.

President.—You want us to ‘deplement’ the protection and not supplement it.

Mr. Trivedi.—This is a clear case where the country is being unnecessarily burdened for the sake of a company which does not exist. I cannot find harder words for this.

President.—I fully appreciate your point of view.

Mr. Trivedi.—Similarly it is unjust to levy a duty on rods. Our grievance is against the levy on these two articles, *viz.*, rods and wire nails. Tata's are not rolling under $\frac{1}{4}$ inch and still the country has to pay.

President.—I just want to draw your attention to this. You will remember that we referred to this matter in our Report last November. What we said was that we had no recommendations to make. On the last occasion it came up in this way. As we were then considering the question of imposing additional duties, the question was whether, if the additional duties went on, certain kinds of bars, for example, should not be made subject to the additional duties, so that in a certain sense it was relevant, but if we proceeded entirely by bounties, we could not discriminate between different kinds of steel.

Mr. Trivedi.—Government have asked you to report what articles will require bounty. You may say that rods and wire nails will not require it.

President.—Not bounty, but additional assistance?

Mr. Trivedi.—If the Tariff Board say that these things are not being rolled by the Works and that consequently protection is unnecessary, I will try to move the Legislature to get the duty removed. All that I want you to do is to recommend.

President.—I daresay you will do that. I have already pointed out to you the view I take of the matter.

Mr. Trivedi.—My request to the Board is this. If you stick to your policy of discriminating protection, then you should as much care for the protection of the steel industry as for the consumers; and if you find that a particular thing wants protection, you may give it. At the same time, you must look to the interests of the consumers.

President.—My reply to that would be this that as regards bars and wire nails the question should have been raised in the first enquiry and the responsibility rests on the iron merchants themselves.

Mr. Trivedi.—The duty on rods was not before us. Then we did not know whether Tata's would supply them or not. Now we have the experience of one year, and we find that Tata's are unable to supply. There was an enquiry by Messrs. Geo. Service & Co., for $\frac{1}{4}$ inch rods, and Tata's told them that they could roll at the most one ton per day. That is no supply for the country. If they are not able to supply the needs of the country, why should you tax unnecessarily the consumers? The impression abroad is that Government tax anything for the sake of revenue. For instance, they have recently increased the duty on $\frac{3}{16}$ inch rods by mere executive action.

President.—I am afraid that is quite irrelevant. That is not a matter which has come up before the Board.

Mr. Trivedi.—You have laid down Rs. 40 for rods. They say $\frac{3}{16}$ " is wire and not rods. So, they are going to charge Rs. 60. Our impression is that Government are trying to get as much revenue as possible.

President.—This is totally irrelevant. The only way in which that could be done is by the Central Board of Revenue interpreting the law. It is a question of interpreting the law and not of executive action.

Mr. Trivedi.—I am only saying that there is an impression amongst traders and consumers that Government are trying to get more revenue out of the steel protective duties.

President.—I am not sure that even that impression is relevant.

Mr. Trivedi.—Our request to the Board is that they should try to give us some satisfaction on the point and tell Government that this is the misunderstanding about their policy. You might mention that this is our request. If you cannot recommend what we suggest to you, you might at least mention that this is our grievance and then we will approach the Legislature.

Dr. Matthai.—What is the area roughly which is served by the Bombay market?

Mr. Trivedi.—The whole Presidency.

Dr. Matthai.—It won't include the Karachi side, will it?

Mr. Trivedi.—No, Karachi is separate. The area served by the Bombay market is Gujerat, Kathiawar, and Deccan.

Dr. Matthai.—You don't do any business in Madras, do you?

Mr. Trivedi.—No.

Dr. Matthai.—Do you think from your experience there are any differences between these Indian markets—take the Bombay market and the Calcutta market—with regard to the conditions of the steel business and is so what are the differences? Take a question like this. If you take the kinds of articles that are dealt in, is there any difference at all?

Mr. Trivedi.—No.

Dr. Matthai.—Now about the scale of business of the Bombay market, is that bigger than the Calcutta market?

Mr. Trivedi.—No. Calcutta is the biggest market. I am afraid Calcutta will be hard hit now.

Dr. Matthai.—Why?

Mr. Trivedi.—On account of Tata's steel coming in.

Dr. Matthai.—Tata's do not touch you.

Mr. Trivedi.—We don't import even one ton of Tata's steel. Excepting Railways, engineering firms and Government, nobody else imports. In fact, we cannot import because the freight comes to Rs. 20 a ton. There is no advantage at all.

Dr. Matthai.—Your present stock is about 40,000 tons?

Mr. Trivedi.—Yes.

Dr. Matthai.—How does that compare with the stock you had last August?

Mr. Trivedi.—The stock we had last August was very heavy.

Dr. Matthai.—How much was it?

Mr. Trivedi.—It was 40,000 tons only in bars.

Dr. Matthai.—Mr. Anandji Haridas told us that in Calcutta the reduction in stock was about 50 to 60 per cent. Do you think that yours was somewhere about that?

Mr. Trivedi.—It is about half of what it was in August.

Dr. Matthai.—You say at the beginning of your written statement* “I am of opinion that the condition of the steel industry has much improved by the protection given. In spite of an increase of freight of 7s. 6d. per ton, the level of prices of the imported steel is still at the same low level as it was in October 1924.” What exactly do you mean by the improvement in the steel industry?

Mr. Trivedi.—Tata's condition has much improved.

Dr. Matthai.—In what way?

Mr. Trivedi.—They are able to sell all their output. They have no stocks.

Dr. Matthai.—Supposing I am able to do a very large sale only at prices which are not remunerative, you won't call that an improvement in the condition of the industry.

* See Statement II.

Mr. Trivedi.—I have not entered into their working. At the second enquiry, Tata's told the Board that there was a large surplus which they could not sell in the Upper India market because of the low prices.

Dr. Matthai.—I am simply drawing your attention to the fact that the question of sales by itself is not a sufficient test for judging the improvement of an industry.

Mr. Trivedi.—If they were losing money on steel, they would have certainly made the same demand as they did at the second enquiry.

Dr. Matthai.—There is another side to that, is there not?

Witness No. 14.

MESSRS. ANANDJI HARIDAS AND COMPANY.

A.—WRITTEN.

Letter, dated 20th June 1925.

We beg to acknowledge receipt of your letter No. 237, dated 23rd ultimo.

As desired by you we beg to send you herewith five statements giving c.i.f. sterling prices (Statement "A") and Calcutta market prices (Statement "B") for Bars, Angles, Beams, Plates, Black Sheets and G. C. Sheets.

After the recommendation of bounty last year by the Tariff Board, Tata Iron & Steel Co.'s Sales Department got into more intimate touch with the Calcutta market than before. With a view to reduce imports of foreign steel they started selling at Continental prices to importers and dealers in the market. The result has been a great diminution in the imports of Bars, Angles, Plates and Black Sheets.

The stock of these materials in Calcutta must at present be about 50 or 60 per cent. of the stock in August/September of last year. For the last four months Tatas have been out of market for Plates. Orders are being consequently placed abroad and the import of this article is likely to increase.

Local price for Bars has been gradually going up and this we think will act as an incentive to increase in imports.

We are of opinion that during the next three or four months imports of Bars, Angles, Plates, Tees and Joists is more likely to increase than diminish.

If the Board so desire, our Mr. Anandji Haridas will appear before them to give oral evidence on any matters connected with the steel trade.

Enclosure No. 1.

STATEMENT "A."

Showing the Sterling prices c. i. f. from October 1924 to May 1925.

Materials.	October.	November.	December.	January.	February.	March.	April.	May.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
British Bars and Angles	9 15 0	9 15 0	9 15 0	9 15 0	9 12 6	9 12 6	9 12 6	9 12 6
Continental ditto	6 6 0	6 7 6	6 12 6	6 17 6	6 17 6	6 15 0	6 15 0	6 15 0
British Joists	9 15 0	9 5 0	9 5 0	9 5 0	9 0 0	9 0 0	9 0 0	9 0 0
Continental Joists	6 7 0	6 7 6	6 7 6	6 14 0	6 12 6	6 12 6	6 10 0	...
British $\frac{1}{4}$ " Plates . . . . .	...	...	...	...	...	...	...	...
Continental Plates	7 17 6	7 17 6	8 5 0	8 7 6	8 12 6	8 12 6	8 10 0	8 10 0
British Plates $\frac{3}{16}$ " and up . . . . .	..	...	...	...	...	...	...	...
Continental Plates $\frac{1}{8}$ " and up	7 12 6	7 12 6	7 15 0	7 15 0	8 2 6	8 0 0	8 0 0	8 0 0
British Steel Sheets . . . . .	...	...	...	...	...	...	...	...
Continental Steel Sheets	11 7 6	11 10 0	10 15 0	10 15 0	11 10 0	11 10 0	11 10 0	11 7 6
British G. C. Sheets	19 7 6	18 10 0	18 7 0	18 10 0	18 5 0	17 12 6	17 10 0	17 13 0

Enclosure No. II.

STATEMENT "B."

Showing the Calcutta Market prices from October 1924 to May 1925.

Materials.	October.	November.	December.	January.	February.	March.	April.	May.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Bars	6 8 0	6 6 0	6 10 0	6 10 0	6 8 0	6 14 0	6 12 0	7 0 0
	to 6 10 0	to 6 10 0	to 6 12 0	to 6 12 0	to 6 14 0	to 7 0 0	to 7 4 0	to 7 8 0
Joists	6 12 0	6 4 0	6 10 0	5 14 0	6 0 0	6 4 0	6 4 0	6 6 0
	to 6 4 0	to 6 10 0	to 6 8 0	to 6 10 0	to 6 8 0	to 6 12 0	to 6 12 0	to 7 0 0
½" Plates	8 0 0	7 14 0	7 8 0	7 8 0	7 5 0	7 4 0	7 4 0	7 8 0
	to 7 14 0	to 7 10 0	to 7 5 0	to 7 4 0	to 7 8 0	to 7 8 0	to 7 10 0	to 7 10 0
Plates ¾" & up	7 4 0	7 5 0	7 6 0	7 4 6	7 4 0	7 0 0	7 2 0	7 6 0
	to 8 0 0	to 7 10 0	to 7 12 0	to 7 10 0	to 7 8 0	to 7 8 0	to 7 8 0	to 7 10 0
Steel Sheets	10 0 0	9 10 0	9 6 0	8 14 0	9 0 0	9 4 0	8 14 0	8 12 0
	to 9 10 0	to 9 8 0	to 8 12 0	to 9 2 0	to 9 4 0	to 8 12 0	to 9 2 0	to 9 4 0
G. C. Sheets	15 6 0	16 0 0	15 9 0	15 6 0	15 8 0	15 0 0	14 8 0	14 14 0
	to 15 8 0	to 15 9 0	to 15 6 0	to 15 8 6	to 15 0 0	to 14 8 0	to 14 12 0	to 15 0 0

MESSRS. ANANDJI HARIDAS AND COMPANY.

B.—ORAL.

Evidence of Mr. ANANDJI HARIDAS recorded at Calcutta on
Wednesday the 8th July 1925.

President.—We are much indebted to you for the statement of prices you have sent in.* It will be very useful to us. They correspond closely, I may say, with the information that we have been getting from other sources. I do not think there will be any dispute as to what prices have been in the past, though there may be differences of opinion as to what they are likely to be in the future. But there are one or two small points in which your figures are a little different from those of other firms, e.g., British bars and angles. In statement A you have given the prices of bars and angles as £9-15-0 in October and £9-12-6 in May. I think, the evidence we have had from elsewhere suggests that there has been rather a bigger fall in the price of British bars.

Mr. Anandji.—I don't deal much in British materials. They are taken from the market reports.

President.—In the case of Continental plates, both $\frac{3}{8}$ " and $\frac{3}{16}$ " and upwards, I think that the increase in the c.i.f. price between October and May as quoted by you is a little higher than those quoted by some of the other firms.

Mr. Anandji.—These are the prices we have actually received.

President.—These are the actual prices at which you have been doing business?

Mr. Anandji.—Yes.

President.—That is as good evidence as one can get. Are the prices, shown in statement B, Calcutta market prices for Continental material?

Mr. Anandji.—Yes, except in the case of galvanised sheets which are entirely British.

Dr. Matthai.—What is the unit for which you quote galvanised sheets?

Mr. Anandji.—Per cwt. All prices are per cwt.

President.—How are the prices quoted here related to the c.i.f. prices?

Mr. Anandji.—They are very nearly c.i.f. prices—sometimes a little lower and sometimes higher.

President.—You remember that, at the time when you gave evidence in Bombay, the market was in an abnormal condition, and that prices at that time were distinctly below the cost of importation. Has that feature of the situation now passed away?

Mr. Anandji.—Entirely.

President.—On the whole, market prices in Calcutta are keeping pretty closely in the neighbourhood of the cost of importation?

Mr. Anandji.—Yes, in some cases they are considerably higher than the cost.

President.—Taking the price of Continental bars as £6-15-0 in May, converting it at 1s. 6d., adding Rs. 40 for the duty and Rs. 10 for the landing charges and minimum profits, it works out to about Rs. 7 a cwt., so that anything above Rs. 7 a cwt. is extra profit.

Mr. Anandji.—Yes.

President.—I understand that the stocks in the market are not very large?

Mr. Anandji.—Imports have fallen considerably. Whenever there is a

* See written Statement.

demand for certain sections the prices of these sections immediately go up unless Tata's can supply them immediately.

President.—Are these the prices you would quote if you were selling? Are they the importers' selling prices?

Mr. Anandji.—They are selling prices.

President.—That is to say, what a big importer would sell at. Are they *ex godown* prices for comparatively big orders?

Mr. Anandji.—They are more or less retail prices and not wholesale prices.

President.—What would be the smallest quantity you would be prepared to sell at about these prices?

Mr. Anandji.—In some cases a ton.

President.—We only asked you to give the prices up to May. As a matter of fact I had hoped that the enquiry would begin sooner, but I was ill at Simla and the enquiry had to be postponed. Has there been much change in June?

Mr. Anandji.—Yes, there has been a slight fall in prices.

President.—What would you attribute that to?

Mr. Anandji.—The usual slackness of demand at this time of the year.

President.—You would ordinarily expect a slight fall in prices about this time?

Mr. Anandji.—Yes.

President.—In the c.i.f. price of the imported material as well as in the Calcutta market price?

Mr. Anandji.—Not a fall in the c.i.f. price, because people will be buying now for September-October shipment. This is the busy season. The goods will arrive sometimes in October or November.

President.—When you say that you expect a fall in price, you mean in the Calcutta market price?

Mr. Anandji.—Yes.

Dr. Matthai.—Does the existence of a slack season apply to every steel market in India?

Mr. Anandji.—Yes.

Dr. Matthai.—Supposing I suggest that the slackness is due to the fact that you have a heavier monsoon in the area served by the Calcutta market where building operations are restricted.

Mr. Anandji.—Almost in every part of India rain commences at this time of the year. The demand, for example, from the Central Provinces, where rainfall is not so heavy, is very slack at present.

President.—Have you tabulated the c.i.f. prices for June? Do you think they would be lower than those for May?

Mr. Anandji.—For certain Continental materials prices are lower now.

President.—Is that probably due to the change in the French and Belgian exchanges?

Mr. Anandji.—I should think so. It has something to do with the political situation and the fluctuation of exchanges in Europe.

President.—What would be the effect of the fall in the franc sterling exchange? What would be its effect on the minds of importers in India?

Mr. Anandji.—They would naturally like to wait for sometime and see how the prices vary.

President.—Unless the stocks go down in the meantime.

Mr. Anandji.—Of course, our suppliers from the other side say that, in view of the great fluctuations in exchange, they prefer to quote in sterling. These fluctuations had very little effect on their quotations, but still we don't know how far the prices will fall. There is so much uncertainty about European prices.

President.—I know it is very difficult. Then I take it that the natural feeling in the minds of dealers would be to wait and see whether they would be able to buy a little cheaper. That would naturally affect the prices they would be willing to pay for the Tata Company for their steel.

Mr. Anandji.—It may to some extent.

President.—If they are not going to buy from abroad, equally they would not buy from Tata's unless prices are favourable.

Mr. Anandji.—That will be the case.

President.—Is the information you have from your correspondents in Europe to the effect that the Continental manufacturers prefer to quote prices in sterling and do not lower them when the exchange becomes more favourable?

Mr. Anandji.—That is the information I have definitely had from two sources recently, but we never know how much business policy there is in the advice they gave.

President.—What one would expect would be this. As far as one can judge, the prices the Belgian and French manufacturers accepting are unremunerative. They would like to get more if they could.

Mr. Anandji.—One would think so.

President.—If they are fairly well booked up with orders, it might pay them better to let their sterling prices remain unchanged which would give them larger return in francs. If, on the other hand, they were more anxious to get orders, they might adopt the opposite policy and drop their sterling prices.

Mr. Anandji.—They would do that if they were eager for orders. It seems that they have reached practically the lowest point at which they could afford to sell. They would rather close down. We have reports from our suppliers that there have been threats of strikes in different centres from workers, because the latter don't get enough wages?

President.—Strikes for higher wages?

Mr. Anandji.—Yes.

President.—It is very difficult to see how some of these French and Belgian steel works still carry on at present prices; the prices of pig iron being what they are, it is not easy to see how they can possibly afford to make steel and sell at the prices at which they do now.

Mr. Anandji.—It is certainly surprising. If you look at the quotation, you will find there has not been much change. If you look at the price, you find they are getting a lower price, because there has been an increase in freight from the Continent to India.

President.—Mr. Sawday told us about that. It went up from 15 to 22s. 6d., I understand. So far as you can judge from the information you have received, you don't think that (unless, of course, the French and Belgian exchanges were to start a steady process of decline), the Continental manufacturers will be able to reduce prices further?

Mr. Anandji.—That is the report that we got.

President.—Do you think they would be very glad to get higher prices if they could?

Mr. Anandji.—Yes.

Dr. Matthai.—These representations, are they from your own people?

Mr. Anandji.—We have no office, but have got agents there.

President.—Would they be French or Belgian firms?

Mr. Anandji.—Both English and Belgian firms.

President.—Looking to the future, the period we have to take into consideration, *i.e.*, the period from 1st October next to 31st March 1927, do you think the Board would be prudent if they assumed that, on the whole, prices would remain at about their present level during that period, or do you think that there is any chance of an increase in the prices?

Mr. Anandji.—It is a very difficult thing to say. But still I should think that the price for galvanised corrugated sheets will fall. From the course of prices during the last five years, I should think the price of galvanised sheets may fall.

President.—I am anxious to hear about that, but I would rather take the Continental materials first. What about the Continental bars, angles and things of that kind?

Mr. Anandji.—It is almost impossible to say how the prices would turn.

President.—Have you any definite reason for anticipating an increase?

Mr. Anandji.—No.

President.—You have already told us that prices have gone down just as far as they can go.

Mr. Anandji.—Yes.

President.—According to the Iron and Coal Trades Review's quotation during the last eight months, the price of galvanised sheet has gone down from £18 to £16-10-0.

Mr. Anandji.—The price last July was £18 c.i.f. To-day it is £17 c.i.f.

President.—I think the c.i.f. price must have been a little higher than that last October.

Mr. Anandji.—I am talking of July. The prices are lowest in June and July, and they go up when the demand goes up. October is one of the best months for buying and naturally the prices are up at that time.

President.—Are you referring to the c.i.f. price?

Mr. Anandji.—Yes. To-day it is £17-2-6. About this time last year it was £18.

President.—Do you think it will go still lower?

Mr. Anandji.—Yes.

President.—I should very much like to know why you think so. You may be quite right. I am not contesting your opinion, but I want to know your reason.

Mr. Anandji.—It is very difficult to say exactly but that is the general feeling. Consumption has been increasing with the fall in price, and it may be that the works with more orders will be able to reduce their cost. It is just possible that as the demand goes on increasing, price may be lower.

President.—If the manufacturer gets a larger output, it will enable him to cut his price?

Mr. Anandji.—That is one of the reasons why I think the prices will fall.

President.—My only doubt arises from this. Galvanised sheets being one of the things where the British manufacturer has at present no particular competition to fear from outside Great Britain, the tendency has been for the firms to combine to regulate the selling prices.

Mr. Anandji.—That is what they did.

President.—That combine apparently recently broke up.

Mr. Anandji.—Very recently, but I do not know whether it has really broken up, or whether they have reduced their price and they say that the combine has broken up.

President.—I have no information except what has appeared in the newspapers.

Mr. Anandji.—Up to the beginning of last month this combine was in existence.

President.—It has now broken up?

Mr. Anandji.—Yes. They had imposed a penalty on anybody producing beyond a certain quantity. That was done in order to keep up the price.

President.—They limited their output?

Mr. Anandji.—Yes.

Dr. Matthai.—What you are suggesting as regards galvanised sheet is that the prices are falling, because there is an increase in consumption.

Mr. Anandji.—That is one of the reasons.

Dr. Matthai.—The way I was inclined to look at it was that consumption increased because prices fell.

Mr. Anandji.—Both things act and react upon each other.

Dr. Matthai.—If the consumption going up is the cause, how do you account for the increase in consumption—a rather perceptible increase in consumption—when the price went up last year?

Mr. Anandji.—Before the war, the price of galvanised sheets was lower than what it is to-day. The consumption was very much bigger than what it is to-day.

President.—Last year the imports were very nearly equal to the average of the three pre-war years. I have got the figures here. The pre-war price of galvanised sheets was about £12 a ton f.o.b., and the average consumption for the three pre-war years was 210,000 tons.

Mr. Anandji.—That is the average. I think in the last year before the war (1913) the consumption was much higher than this figure. So far as my information goes, it was somewhere about 200,000 tons for Bengal only.

Dr. Matthai.—Would it be right to say that there is a fairly close parallel between the movement of the price and the movement of consumption with regard to galvanised sheets?

Mr. Anandji.—That has been the case in post-war years. I do not know how it stood in pre-war years.

Dr. Matthai.—If you compare the figures from 1922 up to date, you get to some extent the same kind of parallel variation. I want to ask you what your experience was with regard to that.

Mr. Anandji.—I remember in 1919 people used to say that, if the price dropped to somewhere near Rs. 18, the consumption would increase. At that time the price was Rs. 20 and, when the price fell to Rs. 18, consumption actually increased. My experience is that when the price falls the consumption does increase. Even to-day the general feeling is that, if the price goes down to somewhere about Rs. 13-8-0 per cwt., the consumption will probably be about 25,000 tons more in Bengal alone.

Dr. Matthai.—Apart from the influence of prices, do you think there is an increased appreciation in the country of galvanised sheets for roofing purposes and things of that kind?

Mr. Anandji.—I think that should be the case taking into consideration the imports—heavy imports—in Bombay. I do not think even in pre-war years, Bombay ever imported such huge quantities as it is doing now. In some months, of all the big ports in India, Bombay imported the biggest quantity.

President.—There is this to be said. When the price of a thing like galvanised sheet is variable, and when it has changed for six months or so, then one would expect the changes in the imports to follow changes in the price pretty closely, because the dealers would naturally wish to buy at the time when the price was down and sell when the price was up. At any rate they would try to make the purchases when the prices were low.

Mr. Anandji.—Yes.

President.—But that would not necessarily imply much variation in the actual consumption in the country?

Mr. Anandji.—Immediately there won't be much variation in consumption.

President.—If you are considering short periods only, you might find that in one year the price had dropped by 25 per cent. and the imports rose by 20 per cent., though there had been no real change in consumption.

Mr. Anandji.—There is not much immediate increase in consumption in the country; the actual consumer—the agriculturist—who builds his house

with galvanised corrugated sheets—may not buy more. When the price is cheaper, the up-country agents, who store goods on their own account, will buy a little more. If they are forced to sell at a lower price the demand may increase gradually.

Dr. Matthai.—That is to say, the variations in the imports depend less on the actual consumption, than on the dealers' anticipation of what the consumption will be?

Mr. Anandji.—That has some effect on consumption.

President.—Supposing the selling combine were re-formed in England and price went up to £18 or £19 a ton, what effect would that have on the imports? Do you think there would be a big reduction?

Mr. Anandji.—No. There may not be a big reduction, because people do buy two or three months ahead. Everybody expects that the price will go up after a month or so. Now they are buying for September shipment. In the month of September the price will again jump up.

President.—Supposing the price went up and stayed there, looking forward to 1926-27, do you think that, if the price throughout the year was, let us say, Rs. 16 to Rs. 17 a cwt., that would mean that imports would be a good deal less than they were last year or during the current year?

Mr. Anandji.—So far as Bengal is concerned, if the price does go up, the consumption may remain steady or fall off. If agriculturists get more money from good crops, they could naturally spend more for galvanised sheets and their clothing, etc. It all depends on the general level of the prices ultimately in the country.

President.—There is one thing I am not quite sure about. For the last four months you say Tata's have been out of the market for plates. Are you referring to 3/16 inch or $\frac{1}{4}$ inch plates?

Mr. Anandji.—For all plates.

President.—The reason why I ask is this that whereas they make 3/16 inch plate on the plate mill, anything below 3/16 inch they make in the sheet mill, though strictly they are plates.

Mr. Anandji.—I am specially referring to $\frac{3}{16}$ " plates but even $\frac{1}{4}$ " plates they are not selling at all in the market.

President.—They are perhaps selling $\frac{1}{4}$ " plates up-country?

Mr. Anandji.—No, not even up-country.

President.—Are you sure?

Mr. Anandji.—I am quite sure.

President.—They may be making thinner gauges?

Mr. Anandji.—They mostly turn out 14 and 20 gauges.

President.—What would be the thickness?

Mr. Anandji.—16 gauge will be $\frac{1}{16}$ " and $\frac{1}{8}$ " will be 10 or 11 gauge.

President.—They are making thinner sheets?

Mr. Anandji.—Yes.

President.—They are not troubling about $\frac{1}{4}$ " plates?

Mr. Anandji.—No.

President.—And the plates you refer to are $\frac{3}{16}$ " and upwards?

Mr. Anandji.—Yes.

President.—I gather that, in Calcutta at least, there is no accumulation of stocks. The stocks are apparently much below what they have been in the past.

Mr. Anandji.—Yes.

President.—Naturally, as Tata's production increases in Calcutta, which is a big market close to their door, the stocks of imported steel must diminish because less will be coming in.

Mr. Anandji.—It is bound to become less. But I am referring to stocks of both Tata steel and other steel.

Dr. Matthai.—Your estimate agrees with Tata's estimate of 12,000 tons.

Mr. Anandji.—Mine is about 10,000 or under, not over 10,000 tons.

President.—What class of steel does that cover?

Mr. Anandji.—I am referring to bars.

President.—The Board, before making their recommendation to the Government of India, will have to consider what form precisely protection should take. Unquestionably, in view of the decision of the Government of India and the Legislature last January, protection should as far as possible be given by means of bounties, but it was pointed out in our press communiqué that the question might arise where the money was to be found. That is not a matter on which the Board will have the final decision. That must rest with the Government of India, who are the only people who can say whether they can provide the money for bounties.

Mr. Anandji.—They have had a surplus of Rs. 2 crores out of the special protective duties, and even if in the years to come the duty falls short of what is expected, they can pay out of that money. It is only fair—they have got Rs. 2 crores already—that the duty on galvanised sheets ought to be reduced. The Government have got this huge amount at the expense of consumers of steel. In your original report you said that there were certain advantages if protection were given by way of bounties, but that you could not consider that aspect because financial considerations came in your way. Now that the Government have got about Rs. 2 crores as surplus, it would be only fair if they reduced the duty on certain articles, especially galvanised sheets, where, with the decrease in duty, the consumption will increase. You took 150,000 tons on an average as the consumption of India of galvanised sheets and you also said that the production of Tata's would increase and that the quantity of imported sheets would fall off. On the other hand, the demand has increased so considerably that India has imported somewhere near 200,000 tons.

President.—The total import of galvanised corrugated sheets is over 200,000 tons.

Dr. Matthai.—You are getting very near the pre-war figure.

Mr. Anandji.—Yes, very near pre-war three years' average. But in the first year before the war, i.e., 1913 the import of galvanised corrugated sheets was very much over the average figure.

President.—I think that the Board, and also the Government of India, would agree that it would be reasonable in calculating what money was available for paying bounties to take it on the basis of the whole period of three years, and that, if in the first year they collected a great deal more as revenue than they paid out, the surplus should be carried forward and regarded as available for payment of bounties in subsequent years. But I am afraid your estimate of Rs. 2 crores is a good deal higher than any estimate I could place before the Government of India. Let me put it this way. Is it not the correct method of ascertaining how much extra revenue the Government of India have got from the protective duties, to take each class of steel in turn and calculate what duty the Government of India would have received at the rates in force before the Steel Industry (Protection) Act came into force and how much they actually got at the protective rates?

Mr. Anandji.—In the figures I have got, they have collected Rs. 83,43,000 at the rate of 10 per cent. and Rs. 2,15,00,000, after protective duties had been imposed. That was only on iron and steel. On railway material they got Rs. 9,10,000 and on coal tubs Rs. 1,44,000. These two only increase the figure I gave.

President.—What you have got to remember is that they would have got more than half of that in any case at the old rates of duty. The protective duties imposed under the Act, did not, except in the case of bars, exceed twice the old rate. The new duty on bars is nearly three times the old rate, but the duty on galvanised sheet is only $1\frac{1}{4}$ times the old rate.

Mr. Anandji.—I have got here the figures. In 1923-24 they got Rs. 1,72 lakhs; in 1922-23 Rs. 1,84 lakhs. As they have got Rs. 83,00,000 in 1924-25 on the basis of 10 per cent. duty, we may deduct Rs. 90 lakhs from the protective special duty, so that the income to the Government may be equal to what it was in 1923-24, viz., Rs. 1,72 lakhs. Even that would leave Rs. 1,20 lakhs as surplus from protective duties.

President.—I have not got complete figures yet, though we have written to the Collectors of Customs for that, but there are two very important articles in which the Trade Returns give sufficient information to enable one to get a fairly close estimate—bars and galvanised sheets. The protective duties were in force for $9\frac{1}{4}$ months in 1924-25. As nearly as I can calculate the Government of India got about Rs. 33 lakhs extra out of bars and about Rs. 25 lakhs out of galvanised sheet, that is Rs. 58 lakhs out of these two articles together. Now, I think, it is quite certain that the extra revenue—at least more than half the extra revenue—would come from these two articles because the volume of imports is so great. The two articles which really count from the revenue point of view are bars and galvanised sheets. The Government of India got about Rs. 58 lakhs in the course of $9\frac{1}{4}$ months during which the Steel Industry (Protection) Act was in operation. I am doubtful whether the extra revenue to the Government of India would be more than Rs. 40 lakhs from other classes of steel. They have already paid to the Tata Iron and Steel Company more than Rs. 60 lakhs as bounties—about Rs. 29 lakhs for the additional bounty, and something over Rs. 30 lakhs for the bounty on rails. They are already committed to further payments this year. I don't know whether we shall be able to show that there is a great deal in hand. There is a certain amount which they have received as extra revenue which has not yet been paid in the shape of bounties, but it does not look to me as if there is a great deal left and, as you no doubt are aware, the imports this year do not promise to be so large as they were last year.

Mr. Anandji.—It is very difficult to say.

President.—This is a point I ought to have asked before. Admittedly, since the 1st of April, and indeed since the 1st of February, the imports of most kinds of steel have fallen off. I think that the galvanised sheet is the only conspicuous exception.

Mr. Anandji.—Yes.

President.—How long do you think that imports are likely to remain at this lower level? Do you think that they will increase again in the cold weather?

Mr. Anandji.—I think that the imports of bars will increase in the near future, because just when the new duties were imposed people imported huge quantities. In your last enquiry you found that there was depression everywhere. After that there was practically a stoppage of all imports. In fact the merchants in Bombay resolved not to buy anything for a certain period, so that there was a reaction in imports.

Dr. Matthai.—That began in February, I find.

Mr. Anandji.—That started from November. It would only appear in February figures. On the other hand, Tata's increased their production of bars beyond even what the Board had expected. The Board's expectation in the matter of bars was about 30,000 tons per year but I think Tata's production was over 50,000 tons in bars alone.

President.—I don't think it was quite as high as that.

Mr. Anandji.—I think that they are rolling 4,000 tons a month.

President.—I don't think so. I have been through their cost sheets for the last five months.

Mr. Anandji.—In April they rolled 4,000 tons.

President.—You may be right.

Mr. Anandji.—At any rate, their production was beyond the maximum calculated by the Board. So with Tata's increasing production and the re-action in the imports just after the imposition of new duties, the import fell off considerably, but now it is quite natural that the import should again increase. In fact, in Calcutta there is scarcity for bars in certain sections, and there is a tendency to import bars now in Calcutta even, which is the nearest market to Tata's. In fact, this is the only market that they can hope to capture. Bombay is too far, but scarcity is felt even here, and it may be expected that import of bars will increase in the near future.

President.—Do you think that the imports of bars next cold weather are likely to be as high as they were in the cold weather that has just gone?

Mr. Anandji.—They would probably be a little higher. In February and March they will be a little higher.

President.—The imports for the whole year are likely to be a good deal lower!

Mr. Anandji.—The total will be about what it was last year. The consumption is increasing in the country.

President.—It is very gratifying to see that, as a result of imposing protective duties, the consumption is increasing, though it is against all the accepted canons of economics. But I think the exchange deserves more credit for this result than the Board does.

Mr. Anandji.—It may not be the result of protection. It may be due to improved trade conditions, better crops and things of that sort. I think that, if the duty on galvanised sheets were reduced by Rs. 10, the loss to the exchequer would be somewhere about Rs. 20 lakhs, but there will be an increase in consumption of about 25,000 tons a year. At Rs. 35 it will be Rs. 7½ lakhs. So, the total loss involved will be somewhere about 10 or 15 lakhs at the most.

President.—We are not prepared to submit to the Government of India proposals involving any loss to the exchequer.

Mr. Anandji.—The agriculturists, especially in Bengal, will be able to build many more homes. It will be ameliorating the condition of the life of the peasants. At the same time, there is no great loss to the Government.

President.—It is not a practical proposition. At the present moment any reduction in the duty on galvanised sheets lies outside the terms of reference. What we are asked to do is to see to what extent the protection given under the Steel Industry (Protection) Act requires to be supplemented? That is what we have been asked to do. The other proposal may be very interesting but it is not one which we can consider. Supposing the Government of India came to the conclusion that additional revenue must be obtained from some other source, if the bounties were to be continued, have you any practical suggestions as to the Board's recommendation?

Mr. Anandji.—On these figures, they don't require.

President.—Assuming that the Government of India come to a different conclusion—they may or may not—even supposing you are right!

Mr. Anandji.—They are expected to know more. There are so many clever men in the Government of India.

President.—The newspapers do not at all think that they are wise. Which course do you think would be the least disadvantageous to the business, to spread the additional duty over all the various articles concerned or to try and confine it to one or two?

Mr. Anandji.—I have given no thought to the matter, because on the figures available I never thought that there would be any need for extra duty.

President.—Please don't think that I am forcing you to make a statement. All I am doing is to give you an opportunity to say if you have anything to say. It may be too late in August or September when the matter is before the Legislative Assembly. If you want to make any suggestions, now is the time to make them.

Mr. Anandji.—My suggestion is that, even with the present level of duty and with the increase in consumption, the Government are bound to get more money than they did last year.

President.—Supposing we, in making our calculations, proceeded something like this. Last year the Government of India got Rs. 25 lakhs on galvanised sheets. The imports were higher in the first three months of the current year; and they will probably get a higher revenue from galvanised sheets this year. As they got Rs. 25 lakhs for 9½ months last year, they may get Rs. 40 lakhs for 12 months. I am prepared to take all that into account. It is only a reasonable way of looking at it. I cannot at present say how the calculations will finally work out, but it is quite possible we may come to the conclusion that the Government of India will get from the existing duties all the extra revenue required for the bounties. In that case we shall say to the Government of India we don't think that any additional taxation is necessary, but I have also got to be ready for the opposite contingency. We may find that some extra revenue is necessary, and, therefore, I have got to ask my questions now, because it will be too late when I am writing the report.

Mr. Anandji.—I am sorry I have no suggestions to make.

Dr. Matthai.—I should like to put the same point in a slightly more general way. I am putting it like a schoolmaster. Supposing we were up against the question of having to meet the cost of bounties that we may propose, what we have got to do is to levy duties on articles which will yield a considerable aggregate revenue. So far, the Tariff Board have been mainly concerned with the question of protective duties. Now, when we are considering the question of financing the cost of a bounty, we have got to consider not protective duties really but revenue duties. Now the difference is this. If your protective duty is successful, then your imports are checked and in the aggregate you get less. On the other hand, your revenue duty is a duty which gives and continues to give you a steady aggregate return and that is the difference between a protective duty and a revenue duty. If you want to raise duties now in order to finance the cost of a bounty, you ought to follow the principle of revenue duties. The characteristic thing of a revenue duty is that the article on which you levy it is an article which is consumed on a large scale.—you want a wide field—and then it must be an article with regard to which there is a certain stability of demand. If you put up the price, the demand should not fall considerably. In that case your object will be defeated. The two important points are consumption on a large scale and a certain stability of demand. Speaking as a business man with a lot of experience, can you tell us, out of this great lot of steel products in which you deal, whether you can select any particular class which would satisfy the tests I have suggested? Supposing I said that bars and galvanised sheets satisfied the tests, would you accept the statement?

Mr. Anandji.—No. There will be hardly anything which can stand the tests you have suggested?

President.—We put the extra duty last year and look at the gratifying result.

Mr. Anandji.—That was because exchange had gone up. The rupee prices are where they were.

President.—You don't think that there are any steel articles that satisfy my colleague's tests?

Mr. Anandji.—I am afraid there are none.

President.—Are there any articles which satisfy them less imperfectly than others?

Mr. Anandji.—You can find them out for yourselves from the figures.

President.—You prefer not to express any opinion yourself?

Mr. Anandji.—I don't think there is any need for me to suggest anything..

President.—You can think it over, and if you have anything to suggest, you can let us know.

Mr. Anandji.—Yes, if the Board would give me all the figures necessary.

President.—Before the Board could give you figures, they must have the figures. At this stage the duty of the Board is to collect information and not to communicate it.

Mr. Anandji.—They ought to collect the information and also give it.

President.—It is rather the other way round. It is the witnesses who give information to the Board.

Witness No. 15.

MESSRS. SETH AND BROTHERS.

WRITTEN.

Representation, dated the 17th July 1925.

We beg to submit below our protest and request its careful consideration.

The present Steel Protection Act came into being some time in June 1924 with immediate effect. Soon afterwards Messrs. Tata's being not satisfied with what they got applied for further protection as provided in the Act. After careful consideration the Tariff Board submitted their report to the Government of India that the protection has failed which the Government accepted but strangely enough they continued to collect duty at the protective tariff rate though there was no protection under such tariff and under the Act. So what actually happened was that the Government collected the duty at the protective tariff rate simply to fund the bounty of Rs. 50 lakhs payable in the maximum in a year. The tariff Act entitled the Government to collect the specific duty to protect the Indian Steel Producers: The Act never entitled Government to collect the duty as a means of funding the bounty.

Although the Tariff Board during their original enquiry came to know that the Tata's were not in a position then to meet the whole of India's need of steel and although Mr. George Pilcher very strongly reminded the Board that a protective duty will very hardly hit the Indian consumer of steel they came to a decision of a protective duty. A protective duty is only justifiable if a firm or firms could satisfy the country's total demands because in such a case people requiring steel could satisfy their needs locally. But now the people requiring steel cannot get their demand fully and satisfactorily supplied by Tata's nor they are allowed to get it from outside at cheap rates because of the protective Act.

So far as we remember Messrs. Tata's contended before the Tariff Board that a 12 per cent. dividend is the most reasonable minimum dividend the shareholders should expect and to enable them to give the shareholders a dividend of 12 per cent. they must sell their finished steel at Rs. 180, on the basis of this contention the Tariff Board recommended the current specific duty. But what happened after the duty was announced was most surprising. Messrs. Tata's began to sell steel at Calcutta at about Rs. 130 delivered at Ramkristipur (near Calcutta). The question arises therefore whether (1) Tata's were selling at a loss with a view to cause terror into the minds of the Calcutta importers so that out of fear that Tata's taking advantage of the Tariff Act can sell steel at any and every price and can so manipulate the Calcutta steel market as to ruin any importer by unfair competition, (2) or the contention before the Tariff Board that Rs. 180 per ton enables them to provide a dividend of 12 per cent. for the shareholders is wrong and in fact their cost was somewhere near Rs. 130 per ton. In either case the importer is powerless and the specific duties ought to be withdrawn therefore.

Over a year has passed since the Steel Protection Act came into force some time in June 1924. It has failed in its object namely protecting Messrs. Tata's and it has not only very hard hit the Calcutta importers and dealers but is gradually ruining the Calcutta trade and as for the consumer he is bound hand and feet entirely at the mercy of the Tata's. One naturally expects therefore the withdrawal of the specific duties.

Messrs. Tata's boasted before the Tariff Board that they can supply any and every sort of steel but so far as our information goes they failed to supply the Calcutta market with—

Mild steel rounds and squares $\frac{3}{16}$ " and $\frac{1}{2}$ " and $\frac{5}{16}$,"
Mild steel plates $\frac{1}{8}$ " thick,
Galvanised wire,

Galvanised corrugated iron sheets,
Wire nails,

and in all fairness there ought not to be any duty on these materials. In galvanised corrugated iron sheets also Messrs. Tata's have failed to supply the quality and the quantity needed in Calcutta and East Bengal who are the largest consumers of galvanised corrugated iron sheets. The last item is wire nails which material too the makers could not produce satisfactorily and so far as we know the makers failed to give any supply to the Calcutta market. Nobody will therefore doubt the reasonableness of withdrawing the specific duties on these goods. We therefore request that the Tariff Board do enquire the total quantity of these goods imported into Calcutta during the 13½ months and the quantity if any supplied by Messrs. Tata's to Calcutta.

The burden of the protective duty is borne by the poor users of steel and the benefit enjoyed by (1) wealthy shareholders of the Tata Iron and Steel Co. some of them are millionaires, (2) by the Government and the Railways in getting their supplies at extraordinary cheap rates. Such a course of things is hardly justifiable and we again submit that the specific duties ought to be withdrawn therefore.

Tata steel is not an infant industry. Very recently they declared fabulous dividends. They ought to have provided an invincible reserve fund instead, but as this had not been done let the people who enjoyed the fabulous dividends and the people who also disposed their shares at the then mountain high prices help now Tata's by a loan; or in the alternative if after a very careful, impartial, and unbiased enquiry it is proved that Tata's are not in a position to stand by economising in costs and by improvement of methods let the Government help Tata's by raising a loan and lending them the money at the same rate of interest. We may point out here that during the war the Tata's supplied steel to the Government of India at very low rates while they charged *public* the then current market prices which were several times the price paid by the Government. Tata's costs were as low as before the war but they charged the general consumer of steel several times their cost price and took full advantage of the situation but now as Tata's themselves are alleged to be in a disadvantageous situation it is hardly reasonable to impose a specific protective duty on him (the user of steel).

Witness No. 16.

MESSRS. LACHMANDASS RAMCHAND.

WRITTEN.

Representation, dated Delhi, the 24th August 1925.

In execution of your letter No. 320 of the 3rd July 1925, we give below the brief statement which we wish to put for the consideration of the Board:—

(1) That it is a clear fact that the prices of the steel bars, etc., are very low in the foreign countries for the export to India. Now the Government have checked the import of the material by imposing heavy duties, the result of which is that the foreign manufacturers being unable to send these goods, they are supplying these materials in the manufactured shape. For an instance, we purchase bars and make bolts and resell the bolts to the users. But now the foreign manufacturers being unable to export bars make the bolts themselves and the bolts are exported on which the lower duties are charged. Supposing the price of 1 cwt. bars is Rs. 4 there, plus Rs. 2-8 duty and clearing charges comes to Rs. 6-8 at Calcutta, on Rs. 5 expenses the bars can be turned to the shape of bolts. Now the cost of the bolt is Rs. 11-8 at Calcutta. But the foreign manufacturers taking bars at Rs. 4 per cwt. (6 shillings per cwt. roughly) and Rs. 3 per cwt. expenses of turning them to the shape of bolts become Rs. 7 c.i.f. Calcutta, after Re. 1 duty (10 per cent.) and clearing charges, it comes to Rs. 9 per cwt. which is much below than the cost of bolts manufactured in India.

(2) That it is an established fact the foreign manufacturers can make articles cheaper than India because they have up to date machinery and skilled labour, furthermore, if they get advantage of duty, viz., manufactured goods are charged low duties, they will destroy the Indian small industries, manufacturing small articles.

(3) That there is no big works in India manufacturing bolts, nuts, etc., where thousands men are employed, but there are thousands such small workshops in every corner of the country where 2 to 50 men are employed and all such house factories will be destroyed if this practice will continue.

(4) We therefore suggest that an uniform duty of 10 per cent. only should be levied on the iron and steel material and the Tata Iron and Steel Company should be protected by granting of bounties and not by imposing heavy duties.

Witness No. 17.

**THE PLANTERS' STORES AND AGENCY COMPANY, LIMITED
CALCUTTA.**

Letter, dated 15th July 1925.

At the request of the Secretary, Indian Engineering Association, I give below our views as communicated to this Association.

"In reply to your Circular of the 29th June, while of the opinion that existing protective tariff and bounty should be discontinued at the earliest possible opportunity, we protest against any increase in the relief to be afforded and we hope that it may be possible to modify same as it must be obvious to Government that the result of the bounty in addition to the protective tariff is rapidly killing the import business in steel and iron and it will only be a short time before the Revenue derived from the protective tariff will be insufficient to meet the bounty and we view with great concern the possibility of this charge being made against general revenue."

**Evidence Regarding Railway Wagons and
Underframes.**

Witness No. 1.

INDIAN ENGINEERING ASSOCIATION, CALCUTTA.

WRITTEN.

Statement I.—Representation, dated the 25rd December 1924, to the Government of India, Department of Commerce.

I am directed to refer to the question of the extension of protection to the steel manufacturing industry in relation to the construction of railway carriage underframes.

2. The paragraph 9 of the memorandum which they submitted on the 17th July 1923, to the Tariff Board, the Committee of the Association definitely stated that if protection or help was to be given to the steel manufacturing industry then the engineering industries should be protected by import duties or by bounties to precisely the same extent as the steel industry was to be protected. But in their report the Tariff Board appear to have completely overlooked the effect which the increased import duties on steel are calculated to have on the manufacture in India of carriage underframes.

3. The principle for which the Association contended, and which I have indicated above, should have been upheld by the Board in respect of carriage underframes, seeing that the manufacture of these is comparable to the manufacture of wagons. And, with reference to wagons, the Board remarked on page 119 of their report "that the building of wagons is a natural development of the growth of the steel industry in India; and it is of great importance to the Indian steel manufacturer that this outlet for his steel should be open to him." The weight of steel, used in the manufacture of a carriage underframe, that can be rolled in India is 287½ cwts. This includes only mild steel, and the total yearly capacity of underframe manufacturers in India is at present 200. It follows that the total weight of Indian rolled steel that can be used yearly in India, if the manufacturers' works are kept in full operation, is nearly 3,000 tons.

4. Broad gauge carriage underframes were first manufactured in numbers by private enterprise in India in 1916-17. It is clear, therefore, that the industry has developed rapidly since that time, but of late the Indian manufacturer has had the greatest difficulty in holding his own against foreign competition. Prices have been cut so keenly that the Indian manufacturers have been forced to take orders at bare cost price. This policy has, it is true, promoted the development of the industry—which is particularly well suited to the Indian workman. But as matters stand at the present time the industry is in danger of extinction.

5. The Committee instruct me to point out that the enhanced duty on steel will increase the price per underframe by Rs. 214. Again, the rise in exchange from 1s. 4d. to 1s. 6d. since the last call for tenders in January 1924 is all against the Indian manufacturer. It may be assumed that the cost of labour and charges per underframe is £300. This figure will remain the same in England; but should the Government of India calculate exchange at 1s. 6d. then the Indian manufacturers will be at a disadvantage of Rs. 500.

The increased cost of manufacture *plus* the rise in exchange will, therefore, aggregate Rs. 714 which will tell heavily against the Indian manufacturer. In such circumstances he cannot hope to compete against his foreign rivals and it is therefore, in the opinion of the Committee of the Association, essential that the Government should at once enquire into the position. There are three alternative remedial measures which might be adopted;

- (a) to increase the Customs duty on imported underframes; or

- (b) to grant a bounty per underframe equivalent to the increase in the price of steel, and to take into consideration the ruling rate of exchange; or
- (c) to add, when comparing Indian and foreign tenders, the sum of Rs. 214 to the foreign prices and to take exchange at 1s. 4d.

7. A call for tenders for underframes has been recently issued with the requirement that quotations are to be submitted by the 17th February 1925. In view of this, it is essential that the matter should have the immediate attention of Government, as otherwise it is apprehended by the Committee that no orders for underframes will be placed in India.

Witness No. 2.

MESSRS. JESSOP AND COMPANY, LIMITED.

WRITTEN.

Statement I.—Representation, dated 24th July 1925.

We stated in our No. C. I. R. of the 6th instant that our representation regarding Railway Wagons and underframes would be forwarded to you under a separate cover and we are now pleased to present the facts and our conclusions relating to this branch of our industry. In doing so, we have, as far as possible, followed the lines laid down in your letters Nos. 316 and 328 of July 2nd and July 4th respectively.

As regards coaching underframes in particular, we have not gone to the extent of trying to prove that this class of manufacture fills all the conditions required by paragraph 97 of the Fiscal Commission's Report, as the building of underframes is in every respect allied to wagon building.

Railway Wagons.

We are very pleased to note from the "Indian Trade Journal" of July 16th that the Railway Board has commenced to publish the results of wagon tenders and we are therefore able to quote some British figures that are reliable and therefore of considerable value.

On page 434 of Volume II of the first evidence the details of our two tenders dated October 1922 and July 1923 for I. R. C. A. Standard Type A-1 wagons are tabulated and on page 437, the cost of the imported material.

We again submitted tenders to the Railway Board in January 1924, July 1924 and January 1925. There were no A-1 type wagons required in the July call, but as the A-2 type wagon and A-1 type wagon are very similar we quote below the figures that went to make up our tender in July for the A-2 wagon as well as the January 1924 and 1925 figures for the A-1 type wagons.

*Tender dated January 19th, 1924—A-1 Wagon.**British material at 1s. 4d. exchange.*

	Rs.	A.	P.
(1) Mild steel plates and sheets 36 cwt.	408	0	0
(2) Rolled sections 51 cwt.	494	0	0
(3) Forging material 36 cwt.	437	8	0
(4) Horn cheeks 1 set	27	0	0
(5) Axle boxes 1 set	232	0	0
(6) Bearing springs 1 set	240	0	0
(7) Buffers 1 set	268	0	0
(8) Vacuum brakes 1 set	284	0	0
(9) Screw couplings 1 set	71	0	0
(10) Buffer and draw springs 1 set	148	0	0
(11) Diagonals 1 set	172	0	0
(12) Bolts and nuts 1 set	180	0	0
	2,961	8	0

Summary of cost.

	Rs.	A.	P.
British material at 1s. 4d. exchange	2,961	8	0
Trade expenses on material 10 per cent.	296	8	0
Labour	690	0	0
Trade expenses on labour 100 per cent.	690	0	0
	<u>4,638</u>	<u>0</u>	<u>0</u>
Profit	250	0	0
	<u>4,888</u>	<u>0</u>	<u>0</u>

We quoted Rs. 4,833 but we heard nothing more regarding this tender which evidently went to the British manufacturer.

*Tender, dated July 12th, 1924—A-2 Wagon.**Tata material.*

	Rs.	A.	P.
(1) Mild steel plates and sheets 38 cwt.	418	0	0
(2) Rolled sections 56 cwt.	476	0	0
(3) Forging material 36 cwt.	396	0	0
(4) Horn cheeks 1 set	12	0	0
	<u>1,302</u>	<u>0</u>	<u>0</u>

British material at 1s. 4d. exchange.

	Rs.	A.	P.
(5) Axle boxes 1 set	229	8	0
(6) Bearing springs 1 set	238	0	0
(7) Buffers 1 set	246	0	0
(8) Vacuum brakes 1 set	289	0	0
(9) Screw couplings 1 set	62	10	0
(10) Buffers and draw springs 1 set	125	4	0
(11) Diagonals 1 set	189	0	0
(12) Bolts, nuts and rivets	212	0	0
	<u>1,592</u>	<u>6</u>	<u>0</u>

Summary of cost.

	Rs.	A.	P.
Tata material	1,302	0	0
British material at 1s. 4d. exchange	1,592	6	0
Total material	<u>2,894</u>	<u>6</u>	<u>0</u>
Trade expenses on material 10 per cent.	289	10	0
Labour	700	0	0
Trade expenses on labour 100 per cent.	700	0	0
	<u>4,583</u>	<u>0</u>	<u>0</u>
Profit	250	0	0
	<u>4,833</u>	<u>0</u>	<u>0</u>

Price quoted Rs. 4,520.

The price we should have quoted for an A-1 wagon based on the above figures would have been Rs. 4,442.

The result of this tender was that we were offered an order for 300 A-2 type wagons on the following terms:—

For wagons completed before March 31st, 1925, Rs. 4,750 per wagon up to a limit of 145 wagons. For wagons completed after March 31st, 1925, Rs. 4,200 per wagon.

We accepted this to keep the men together and the Works running.

Subsequently slight modifications were made which reduced the price by Rs. 111 per wagon making the figures Rs. 4,649 and Rs. 4,099 respectively.

When accepting the offer we anticipated our output before March 31st, 1925 would be 145 wagons but unfortunately the fittings from England were very late in arriving and our output before March 31st was only 45 wagons, hence instead of receiving Rs. 13,09,450 for the contract we shall only receive Rs. 12,54,450 or an average of Rs. 4,781-3 per wagon as against our tender price, after deducting Rs. 111, of Rs. 4,409.

We understand the bounty is responsible for the peculiar terms that were offered to us in that each year's grant lapses at March 31st. We have no information of the amount of the bounty that was supposed to be applied to this contract, although on page 121, paragraph 26, section (2) of the Tariff Board Report it is recommended "that the Railway Board should, when calling for tenders annually, announce on how many wagons of each type the bounty will be payable."

Tender, dated January 10th, 1925—A-1 Wagon.

Tata material.

	Rs.	A.	P.
(1) Mild steel plates and sheets 36 cwt.	288	0	0
(2) Rolled sections 51 cwt.	408	0	0
(3) Forging material 36 cwt.	288	0	0
(4) Horn cheeks 1 set	12	0	0
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	996	0	0

British material at 1s. 4d. exchange.

	Rs.	A.	P.
(5) Axle boxes 1 set	234	8	0
(6) Bearing springs 1 set	240	0	0
(7) Buffers 1 set	220	0	0
(8) Vacuum brake 1 set	286	0	0
(9) Screw couplings 1 set	60	0	0
(10) Buffer and draw springs 1 set	127	0	0
(11) Diagonals 1 set	139	8	0
(12) Bolts, nuts and rivets 1 set	225	0	0
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	1,532	0	0

Summary of cost.

	Rs.	A.	P.
Tata material	996	0	0
British material at 1s. 4d. exchange	1,532	0	0
	<hr/>		
Total material	2,528	0	0

	Rs.	A.	P.
Brought forward	2,528	0	0
Trade expenses on material 10 per cent.	252	12	0
Labour	690	0	0
Trade expenses on labour 100 per cent.	690	0	0
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	4,160	12	0
Profit	250	0	0
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	4,410	12	0

Price quoted Rs. 3,997.

This tender is a reduction as compared with the 1923 figures of Rs. 1,003, and we now see that it was the lowest Indian tender for an A-1 wagon and Rs. 700 above the British tender.

The number of wagons placed locally is not published but the tenders called for 515 A-2 and 425 C-2 and assuming that these numbers were placed in India, the bounty absorbed at Rs. 475 and Rs. 700 per wagon respectively would be Rs. 5,42,125 leaving a balance of Rs. 1,27,875 still to be allocated.

It is not clear to us therefore why we did not receive an order for 150 A-1 wagons, unless the 1925 bounty was partly applied to the 1924 contracts for the wagons completed after March 31st, in which case the full bounty for 1924 could not have been absorbed.

Coaching Underframes.

We have manufactured Railway Board and Metre Gauge Wagons for many years and prior to 1914 we received orders for a few metre gauge bogie goods stock, but it was not till 1920 that we undertook the manufacture of broad gauge bogie coaching underframes when we received orders for 27—60 feet underframes for the North Western Railway and 15—67 feet underframes for the Eastern Bengal Railway.

The prices quoted were Rs. 16,779 and Rs. 17,945 each respectively subject to exchange fluctuation.

We have no information as to the British prices at that time but we presume our offer was competitive otherwise we should not have received the orders.

The next opportunity we were given to quote was in December 1923 for 191—67 ft. underframes and again we were not informed of the British price, but we were offered and accepted 85 underframes at Rs. 11,400 against Rs. 11,500 quoted, made up as follows:—

	Rs.	A.	P.
Tata material per list A attached	2,583	0	0
Other Local Material per list A	1,115	0	0
British material per list A at exchange 1s. 5d.	4,478	0	0
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	8,176	0	0
Trade expenses on material 10 per cent.	817	8	0
Labour	1,200	0	0
Trade expenses on labour 100 per cent.	1,200	0	0
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	11,393	8	0
Profit	500	0	0
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	11,893	8	0

Price quoted Rs. 11,500.

Again, in March this year the East Indian Railway invited tenders for 150 underframes. The tenders closed on June 1st, but the condition as to deliveries made it impossible for us to quote for manufacture in India, as deliveries had to commence in August 1925, or 2½ months from the date the tenders closed and completion was required by March 31st, 1926. We understand the placing of this contract is still under consideration.

We cannot rely on getting English fittings in under 6 months from the date we receive an order so we quoted on this occasion with the intention of importing the complete underframes and assembling in our Works. The best British price we were able to obtain was £726 landed in our Works and at exchange 1s. 5½d. this becomes Rs. 9,956 to this we added 5 per cent. for trade expenses, Rs. 700 for erection and Rs. 46 for profit, and quoted Rs. 11,200.

We since hear that the Railway Company were able to obtain a British quotation at £538 f.o.b. plus £32 freight, this at 1s. 6d. exchange with insurance, custom and landing is Rs. 8,405 and if Rs. 700 is added for erection, the price for comparison should be Rs. 9,105.

In view, however, of the Tariff Board's enquiry, we cabled London for the latest prices for imported fittings and these are as per list B attached together with the Tata material details.

If there had been sufficient time allowed for delivery we should have quoted East Indian Railway for manufacture in India based on these prices and our cost would have been made up as follows:—

	Rs.	A.	P.
Tata material as per list B attached	2,213	8	0
British material as per list B at 1s. 6d. exchange	5,006	0	0
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	7,219	8	0
Trade expenses on material 10 per cent.	722	0	0
Labour	1,200	0	0
Trade expenses on labour 100 per cent.	1,200	0	0
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	10,341	8	0
Profit	500	0	0
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	10,841	8	0
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This figure is Rs. 1,736 above the British price obtained by the Railway.
General.

It would appear therefore from the foregoing examples that the British manufacturers in 1920 were able to obtain all the orders they required as the contracts we received in that year for both wagons and underframes were taken at a profit.

During 1921, 1922 and 1923 we received no orders but in 1924 by allowing nothing for profit in our tenders, we secured an order for underframes without State assistance and an order for wagons with State assistance at less than cost.

Now in 1925 we are again without an order. The British prices for wagons since 1920 have been cut to the bone but it is only this year that any very appreciable reduction in underframe prices are apparent. Exchange at 1s. 6d. is partly responsible and the protective duty on steel puts us at a disadvantage of Rs. 300 per underframe, but probably the true cause for the fall in price is the increased value of underframe contracts and shortage of work.

A point which is of great importance to our costs and our output is the date when we are invited to tender which is invariably in January and sometimes July of the year in which contracts there have to be completed, the result

being that we run out of work for three or four months of the year even if regular annual contracts are placed, for example a tender closing in January would not be settled till towards the end of February; it takes as a rule 6 months for the English fittings to arrive and another month before deliveries can commence, that would be during September and continue till the end of March or only seven months of the financial year. If on the other hand tenders were invited in July and settled in August for deliveries during the following financial year, we should be able to maintain a regular output thereby helping to reduce our costs.

We consider the Board in their first report must have estimated the output of wagons manufactured in India on far too low a scale. Our own output during the past 5 months has averaged 34 wagons and 12 underframes per month. The work on one underframe may be taken to be the equivalent of 2 wagons, so that the 5 months' output represents 700 wagons annually.

Our competitors have larger works than ourselves, and we think that 4,000 wagons, or its equivalent in underframes, is a conservative estimate of the total output that can be secured in India to-day, but which with continuous work could be steadily increased until the total requirements of India could be met.

The latest British cost of an A-1 wagon is £180-10-0 which at 1s. 6d. exchange is Rs. 3,292 erected in India. Our price for the same wagon was Rs. 3,827, a difference of Rs. 535, but this figure included no profit and was also Rs. 170 short of our charges.

The latest British cost of a coaching underframe is Rs. 9,105 erected in India, and our price Rs. 10,841. The protective duty on steel is responsible for Rs. 300 of this difference.

The conclusions arrived at from the foregoing are:—

- (1) Annual orders to be placed in India for wagons and underframes up to the capacity of the country providing:—
 - (a) The price for the Indian wagon does not exceed the imported and erected on rails cost by Rs. 850 each.
 - (b) The price for the Indian underframe does not exceed the imported and erected on rails cost by Rs. 1,600.
- (2) Tenders to be invited in March and submitted in June and orders to be placed in August in the year previous to that in which supplies are required.

As requested in your letter quoted above we enclose four statements prepared in the form as required, and we shall be glad to furnish you with any further information you may require.

Enclosure I.

LIST "A."

Cost of material for one—67 ft. bogie carriage underframe at December 1923. Exchange for imported material taken at 1s. 5d. per rupee.

Tata material.

	Rs. A. P.	Rs. A. P.
(1) Mild steel plates 40 cwts. at Rs. 9 .	360 0 0	
(2) Rolled steel sections 145 cwts at Rs. 9 .	1,305 0 0	
(3) Forging material 99 cwts. at Rs. 9 .	891 0 0	
(4) Horn cheek section 3 cwts. at Rs. 9 .	27 0 0	2,583 0 0

Other local material.

	Rs.	A.	P.	Rs.	A.	P.
Bolster seats	57	0	0			
End spring cups	14	0	0			
Top bolster spring bearings	342	0	0			
Bolster ranging guide brackets	120	0	0			
Bolster hanger brackets	71	0	0			
Bolster side wearing blocks	186	0	0			
Top side bearers	70	0	0			
Bottom side bearers	33	0	0			
Hard steel rollers	34	0	0			
Steel castings	188	0	0			
				1,115	0	0

Imported material exchange 1s. 5d.

	Rs.	A.	P.	Rs.	A.	P.
Axle boxes	437	0	0			
Bearing springs	466	0	0			
Buffers	392	0	0			
Vacuum brakes	678	0	0			
Screw couplings	110	0	0			
Buffing and draw springs	141	0	0			
Diagonals	120	0	0			
Bolts, nuts and rivets	508	0	0			
Bogie centre pin and guide	120	0	0			
Drawbar hooks	71	0	0			
M. S. Washers	22	0	0			
Bolster hangers	84	0	0			
Bolster hanger cotters	11	0	0			
Check chains	69	0	0			
Sole plates	579	0	0			
Axle guard plates	212	0	0			
Cylinder carrier packs	19	0	0			
All other springs	439	0	0	4,478	0	0
				8,176	0	0

Enclosure II.

LIST "B."

Cost of material for one—67 ft. bogie carriage underframe at July 1925.
Exchange for imported material taken at 1s. 6d. per rupee.

Tata material.

	Rs.	A.	P.	Rs.	A.	P.
Mild steel plates 40 cwts. at Rs. 7-12 cwt.	310	0	0			
Rolled steel sections 145 cwt. at Rs. 7-8 cwt.	1,087	8	0			
Forging material 99 cwts. at Rs. 8 cwt.	792	0	0			
Horn cheeks 3 cwts. at Rs. 8 cwt.	24	0	0			
				2,213	8	0

Imported material exchange 1s. 6d.

	Rs.	A.	P.	Rs.	A.	P.
Axle boxes 8 at Rs. 54 each	432	0	0	2,213	8	0
Bearing springs 8 at Rs. 54 each	432	0	0			
Buffers 4 at Rs. 70 each	280	0	0			
Vacuum brakes 1 set at Rs. 763 set	763	0	0			
Screw couplings 2 at Rs. 39 each	78	0	0			
Buffing and draw springs 1 set at Rs. 132	132	0	0			
Diagonals 1 set at Rs. 232	232	0	0			
Bolts, nuts and rivets 18 cwts. at Rs. 25 cwt.	450	0	0			
Bogie centre pins and guides 1 set at Rs. 112	112	0	0			
Bolster seats 1 set at Rs. 38	38	0	0			
Bolster end spring cups 1 set at Rs. 10	10	0	0			
Drawbar hooks 1 set at Rs. 56	56	0	0			
M. S. washers 1 set at Rs. 16	16	0	0			
C. S. top bolster spring bearing 1 set at Rs. 242	242	0	0			
C. S. Bolster hanging guide brackets 1 set at Rs. 86	86	0	0			
Bolster hanger brackets 1 set at Rs. 50	50	0	0			
Bolster hanger 1 set at Rs. 60	60	0	0			
Bolster cotters 1 set at Rs. 8	8	0	0			
Bolster side wearing blocks 1 set at Rs. 132	132	0	0			
Check chains 1 set at Rs. 49	49	0	0			
Top side bearers 1 set at Rs. 50	50	0	0			
Bottom side bearer 1 set at Rs. 23	23	0	0			
Hard steel rollers 1 set at Rs. 24	24	0	0			
Sole plates 4 at Rs. 121 each	484	0	0			
Axle guard plates 8 at Rs. 21-2 each	169	0	0			
Cylinder carrier packs 4 at Rs. 3-12 each	15	0	0			
All other springs 1 set at Rs. 383	383	0	0			
Steel castings 5 cwt. at Rs. 40 cwt.	200	0	0	5,006	0	0

7,219 8 0

Enclosure III.

I.—Imported materials for one 67 ft. Bogie Carriage Underframe at July 1925 subject to Protective Duty.

Exchange being 1s. 6d. = 1 Rupee.

Name of Material.	Quantity.	Cost o.i.f. Calcutta.	Landing Charges and transport to works.	Present Customs Duties.	Total Cost.	Former customs duty.	Excess of 5 over 7.
1	2	3	4	5	6	7	8
	Cwts.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
M. S. Plates	40	240 0 0	10 0 0	60 0 0	310 0 0	30 0 0	30 0 0
Rolled Steel Sections	145	833 12 0	36 4 0	217 8 0	1,087 8 0	83 6 0	134 2 0
Forging Material	99	569 4 0	22 8 0	200 4 0	792 0 0	67 0 0	133 4 0
Horn Cheeks	3	18 12 0	0 12 0	4 8 0	24 0 0	1 14 0	2 10 0
TOTAL . . . . .	..	..	..	..	2,213 8 0	..	300 0 0

Enclosure IV.

*II.—Imported materials for one 67 ft. Bogie Carriage Underframe at July 1925
not subject to Protective Duty.*

Exchange being 1s. 6d. = 1 Rupee.

Name of Material.	Quantity.	Cost c.i.f. Calcutta.	Landing Charges and transport to works.	Customs Duty.	Total Cost.
1	2	3	4	5	6
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Axle boxes	8	391 0 0	2 0 0	39 0 0	432 0 0
Bearing Springs	8	391 0 0	2 0 0	39 0 0	432 0 0
Buffers	4	253 0 0	1 12 0	25 4 0	280 0 0
Vacuum Brakes	8	691 0 0	3 0 0	69 0 0	763 0 0
Screw Coupling	2	70 0 0	1 0 0	7 0 0	78 0 0
Buffing and Draw Spring	1 Set	119 0 0	1 4 0	11 12 0	232 0 0
Diagonals	1 „	211 0 0	1 0 0	21 0 0	232 0 0
Bolts, Nuts and Rivets	18 Cwts	407 0 0	2 0 0	41 0 0	450 0 0
Bogie Centre Pins and Guides	1 Set	101 0 0	1 0 0	10 0 0	112 0 0
Draw bar hook	1 „	50 0 0	1 0 0	5 0 0	56 0 0
M. S. Washers	1 „	14 0 0	0 8 0	1 8 0	16 0 0
Bolsters Hangers	1 „	54 0 0	0 8 0	5 8 0	60 0 0
„ Cotters	1 „	7 0 0	0 4 0	0 12 0	8 0 0
Check Chains	1 „	44 0 0	0 8 0	4 8 0	49 0 0
Soleplates	4	438 8 0	2 8 0	43 0 0	484 0 0
Axle guard plates	8	153 4 0	0 12 0	15 0 0	169 0 0
Cylinder Carrier Packs	4	13 8 0	0 4 0	1 4 0	15 0 0
All other Springs	1 Set	347 0 0	1 8 0	34 8 0	383 0 0
Bolster seats	1 „	37 8 0	0 8 0	..	38 0 0
„ end spring cups	1 „	9 14 0	0 2 0	..	10 0 0
C. S. Top Bolster Spring Bearings	1 „	240 12 0	1 4 0	..	242 0 0
„ Bolster hanging guide brackets	1 „	85 10 0	0 6 0	..	86 0 0
Bolster Hanger Brackets	1 „	49 12 0	0 4 0	..	50 0 0
„ Side Wearing Blocks	1 „	131 8 0	0 8 0	..	132 0 0
Top Side Bearers	1 „	49 12 0	0 4 0	..	50 0 0
Bottom Bearers	1 „	22 14 0	0 2 0	..	23 0 0
Hard Steel Rollers	1 „	23 14 0	0 2 0	..	24 0 0
Steel Castlugs	5 Cwts	199 0 0	1 0 0	..	200 0 0
TOTAL . . . . .	..	..	..	..	5,006 0 0

Enclosure V.

III.—Materials purchased in India for one 67 ft. Bogie Carriage Underframe which if imported would be subject to a Protective Duty.

Exchange being 1s. 6d. = 1 Rupee.

Name of Material.	Quantity.	Cost f.o.r. at Manufacturer's Works, e.g. Jamshedpur.	Transport to Wagon Building Works.	Total Cost.	Customs Duty if imported.	Former Customs Duty if imported.	Excess of 6 over 7.
1	2	3	4	5	6	7	8
	Cwts.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
M. S. Plates	40	240 0 0	10 0 0	310 0 0	60 0 0	30 0 0	30 0 0
Rolled Steel Sections	145	833 12 0	36 4 0	1,087 8 0	217 8 0	83 6 0	134 2 0
Forging Material	99	569 4 0	22 8 0	792 0 0	200 4 0	67 0 0	133 4 0
Horn Checks	3	18 12 0	0 12 0	24 0 0	4 8 0	1 14 0	2 10 0
TOTAL	..	..	..	2,213 8 0	..	..	300 0 0

Enclosure VI.

IV.—Materials purchased in India for one 67 ft. Bogie Carriage Underframe which if imported would not be subject to a Protective Duty.

Exchange being 1s. 6d. = 1 Rupee.

Name of Material.	Quantity.	Cost f.o.r. at Manufactur- er's Works.	Transfer to Wagon Building Works.	Total Cost.
1	2	3	4	5
		Rs. A. P.	Rs. A. P.	Rs. A. P.
Bolsters Seats	1 Set .	37 8 0	0 8 0	38 0 0
„ end Spring Cups .	1 „ .	9 14 0	0 2 0	10 0 0
C. S. Top Bolster Springs Bearings.	1 „ .	240 12 0	1 4 0	242 0 0
C. S. Bolster Hanging Guide Brackets.	1 „ .	85 10 0	0 6 0	86 0 0
Bolster Hanger Brackets .	1 „ .	49 12 0	0 4 0	50 0 0
„ Side Wearing Blocks .	1 „ .	131 8 0	0 8 0	132 0 0
Top side Bearers	1 „ .	49 12 0	0 4 0	50 0 0
Bottom Bearers	1 „ .	22 14 0	0 2 0	23 0 0
Hard Steel Rollers	1 „ .	23 14 0	0 2 0	24 0 0
Steel Castings.	5 Cwts .	199 0 0	1 0 0	200 0 0
TOTAL . . . . .	..	..	..	855 0 0

Statement II.—Supplementary statement, dated 29th July 1925, submitted by Messrs. Jessop & Co., Ltd.

During our oral evidence yesterday the Board wished for further information with regard to the Railway Board's standard tender form for wagons, also the cost of British material at 1s. 6d. exchange in our tender dated January 10th, 1925.

We have pleasure therefore in enclosing a copy of the Railway Board's letter No. 33-S. of November 13th, 1924 together with the tender form,* schedule,* general conditions of contract* and specification* in original, and we would draw your special attention to Annexure C where you will notice a list of materials and parts to be imported is called for and the rate of exchange at which these are to be extended is 1s. 4d. to the Rupee.

The cost of British material at 1s. 6d. exchange for our January 10th, 1925 tender is as follows:—

	Rs.	A.	P.
Axle boxes	208	4	0
Bearing springs	214	0	5
Buffers	196	4	4
Vacuum brakes	254	9	0
Screw couplings	55	6	7
Buffer and draw springs	112	2	6
Diagonals	124	7	2
Bolts, nuts and rivets	203	5	0
	<hr/>		
	1,368	7	0

GOVERNMENT OF INDIA.

RAILWAY DEPARTMENT.

(Railway Board.)

No. 38-S.

Dated Delhi, the 13th of November 1924.

To

Messrs. Jessop & Co., Ltd.,
93, Clive Street,
Calcutta.

DEAR SIRS,

Tenders for supply of wagons.

With reference to your letter No. E. G. G., dated 10th November 1924, I am directed to forward herewith another copy of the tender form, schedule, general conditions of contract and specification.

Yours faithfully,
W. S. WOOD,
for Secretary, Railway Board.

D.A.—Copy of tender form.

Schedule (Annexure A).*

General Conditions of contract (Annexure B).*

List of imported materials (Annexure C).*

I. R. C. A. specification for Standard bogie and 4-wheeled Goods vehicles. (Annexure D).*

*Not printed.

MESSRS. JESSOP AND COMPANY, LIMITED.

B.—ORAL.

Oral evidence of Mr. C. I. RODDICK, representing Messrs. Jessop and Company, recorded at Calcutta on Tuesday, the 28th July 1925.

President.—I think that it will be convenient to take the under-frames first and come to the wagons later. The reason is that our enquiry about under-frames arises out of a different reference from the Government of India and is essentially of a wider nature, that is to say, the subject is being considered for the first time. The Board are free to make any recommendation which seems to them to be suitable, as we have to start from the beginning and consider the whole case on its merits. As regards wagons, the position is rather different. All that we have been asked to do is to advise the Government of India to what extent and in what form the protection given by the Steel Industry (Protection) Act should be supplemented. That is to say, we have got to start from the basis of what was decided a year ago and consider how circumstances have changed since then. I think that it will be easier if we begin with under-frames. They were of course mentioned in our original enquiry, but very little stress was laid on them at that time by firms who gave evidence, and the representative of one firm distinctly said that up to that date they had been able to hold their own and get orders for under-frames, whereas they were unable to hold their own and get orders for wagons. It was not your firm. It was Mr. Cochran who said that when he gave evidence on behalf of Messrs. Burn and Company. It was in consideration of that evidence largely, I think, that the Board refrained from making any recommendation about under-frames.

I don't think that your firm has been making under-frames for quite so long as Messrs. Burn and Company. I gather that from the letter we have received from them as well as from the letter we have received from you.

Mr. Roddick.—We started about five years ago.

President.—You have told us in your letter how far you have been successful in the past in obtaining orders. I won't say that your experience has been quite the same as that of Messrs. Burn and Company. At any rate you have succeeded in getting orders. I think that you would admit that the position in 1923 was not so serious as regards under-frames as it was as regards wagons.

Mr. Roddick.—I admit that.

President.—The reason I ask that is this. I forget whether it is your letter or the letter of the other firm in which it is stated that although this was so, it does not interfere with the general principle that under-frames should be protected to the same extent as Steel. Now, the Board have never adopted that as a working principle; they have never admitted that because one class of steel requires a certain amount of protection, all other classes must get the same amount. What we have always tried to do is to ascertain what the facts are in each case and adjust the amount of protection to the amount required. Is that in accordance with the view of your firm? Naturally you would like to get as much as you could.

Mr. Roddick.—But the point is that the coaching under-frame work, i.e., in actual manufacturing detail, is exactly the same as wagon work.

President.—It is the same kind of work.

Mr. Roddick.—Yes, the same kind of men do it. There is no difference. The first order that we got for coaching under-frames was in the year 1920. It was for 27—60 ft. under-frames for the North Western Railway and 15—67 ft. under-frames for the Eastern Bengal Railway. In 1920, the British

manufacturer was very full of work and he did not bother about 27 and 15. Whether he bothers now is a different matter. I rather think he would. But in addition to that the enquiries for under-frames have gone up until they have become quite an appreciable sum of money. Naturally if the British manufacturer is short of work, he is bound to cut in just as much on under-frames as on wagons.

President.—Not necessarily so. Even if the price has gone up, they are not comparable to wagons in the matter of numbers.

Mr. Roddick.—You have got to take into account the fact that one under-frame is slightly more than two wagons and the latest call is for 191 under-frames.

President.—It is the repetition work that is important. There is not so much repetition work in an under-frame as there is in a wagon.

Mr. Roddick.—It is repetition work.

President.—So to speak, it is not the same thing to get an order for 200 under-frames as for 400 wagons. There is less repetition work in the former.

Mr. Roddick.—That is quite true purely from the manufacturer's point of view, but it is the value of the order that attracts.

President.—The value is certainly important, but in addition to that the amount of repetition is also important, is it not?

Mr. Roddick.—Undoubtedly.

President.—You go on making the same part again and again and you speed up?

Mr. Roddick.—Certainly.

President.—I also admit your point that the total value of the order is important.

Mr. Roddick.—Yes. The volume of work is what they are after now.

President.—To keep their shops employed.

Mr. Roddick.—Quite.

President.—That is what you have stated in your letter that there is twice as much work in making an under-frame as in making a wagon.

Mr. Roddick.—Approximately twice as much work.

President.—At the beginning of your letter you say "we have not gone to the extent of trying to prove that this class of manufacture fills all the conditions required by paragraph 97 of the Fiscal Commission's report, as the building of under-frames is in every respect allied to wagon building." That is certainly my own view, and I don't propose to dwell on that point at all. Therefore, it becomes in the main just a matter of figures. We are fortunate in this respect that we have got figures for this year's July tenders.

Mr. Roddick.—The tenders closed on June 1st. I don't think they have got the British price. As a matter of fact I understand the London price was not closed until June 23rd.

President.—When it is closed it will be communicated to us by the Railway Board. What the Railway Board say is this. They have not yet called for simultaneous tenders in England and India for under-frames. All that they get from England is a cabled quotation from the Director General of Stores who communicates the best price he has ascertained. That is all the information they get.

Mr. Roddick.—That is a point we strongly object to.

President.—The information the Railway Board have sent us as regards prices is, on the whole, the best evidence as to the probable price at which the Government of India will be able to buy. They have worked out the British price twice—I don't know why—both at 1s. 4d. to the rupee and at 1s. 6d. to the rupee. At 1s. 6d. to the rupee the price given is Rs. 9,360, but that figure does not include the price of lighting equipment.

Mr. Roddick.—Do they give details there? What have they added for erection?

President.—That is the adjusted price for comparison with the Indian price.

Mr. Roddick.—Exactly what figure has been added for erection?

President.—

	£	s.	d.
F.o.b. price	561	0	0
Freight	49	6	0
			Rs.
Converted at 1s. 6d. to the rupee	8,137	(c.i.f.)	
Customs duty	813		
Landing, wharfage, etc.	45		
Estimated cost of erection	365		
			Rs.
TOTAL	9,360		

Mr. Roddick.—Is that for an under-frame received in a rivetted-up condition for assembling or is it received in bits?

President.—I do not know.

Mr. Roddick.—I challenge that figure of Rs. 365 for erection. When we looked at this cost we thought we could only import these long under-frames in pieces, because of the difficulty in getting any twist out of them. It is far more difficult to get a twist out than it is to rivet it right from the start. For this reason the North Western Railway get their under-frames out in pieces and rivet them out here. I defy anybody, if they come out in that condition, to do it for Rs. 365.

President.—What was your figure in the last tender?

Mr. Roddick.—Rs. 700.

President.—Are you going to do the rivetting?

Mr. Roddick.—Yes.

President.—Rs. 700 for erection, that is what you have said.

Mr. Roddick.—Yes.

President.—What the Railway Board say is this:—

“Statement ‘B’ contains details of the cost of imported under-frames in the case of the recent order for 150 under-frames for the East Indian Railway. It is regretted that the details of the estimated cost of erection on the lines of the Statement printed at page 312 of Volume III of the Evidence taken by the Tariff Board in their first Steel Enquiry, which is also asked for in paragraph 3 of your letter, are not available in connection with coaching under-frames. Recently, however, the Railway Board obtained from some Broad Gauge Railways statements showing the charges incurred on erection, etc.”

In a separate statement showing the charges incurred on erection, etc., the following figures are given:—

	Rs.	A.	P.
North Western Railway	216	12	0
Madras and Southern Mahratta Railway	113	0	0
Eastern Bengal Railway	222	0	0
Oudh and Rohilkhand Railway	121	0	0

The Railway Board say:—“These figures are remarkably low and some items of work appear to have been omitted in each case. The Railways

have not stated whether these figures include painting, but they probably do not. In connection with their recent call for tenders for coaching under-frames, the East Indian Railway have given the cost of erection, painting, etc., in India as Rs. 366 approximately."

Mr. Roddick.—In the case of the North Western Railway and East Indian Railway—I am speaking from hearsay—I understand the two figures are very nearly similar.

President.—Rs. 200 was the original figure given by the East Indian Railway, but in their recent call for tenders they have given the cost of erection as Rs. 366.

Mr. Roddick.—My information is that the East Indian Railway have been trying to get out their under-frames rivetted up, but the North Western Railway get them in pieces. Therefore I cannot see how in both the cases the cost of erection can be the same. In the case of the East Indian Railway probably if the under-frames are slightly out, say by $\frac{1}{4}$ " or $\frac{1}{2}$ ", they would not bother to pull them to pieces and again rivet them up.

President.—In that case railway travelling may become risky.

Mr. Roddick.—I don't say inches but I say $\frac{1}{4}$ inch or $\frac{1}{2}$ inch. The North Western Railway cannot certainly convert under-frames ready for the road at the same cost as the East Indian Railway; if my information is correct that one imports in pieces and the other rivetted up. The figures put down in the statement are practically similar.

President.—Does your figure Rs. 700 include the charge for painting?

Mr. Roddick.—Yes.

Dr. Matthai.—According to you, the cost of erection in the case of the North Western Railway must be higher.

Mr. Roddick.—It must be much higher than the East Indian Railway figure.

President.—Supposing the frames came rivetted up, would you regard Rs. 365 as being in the right neighbourhood?

Mr. Roddick.—I would take Rs. 400.

President.—It is essentially a technical point. In our first enquiry in the evidence we suggested strongly that the matter ought to be dealt with by the Railway Board and that the final conclusions should be published. After that, it becomes a matter about which representations can be made which can be looked into. It is hardly possible for a non-expert body to say anything about that.

Mr. Roddick.—We had the same trouble with wagons before we arrived at this figure of Rs. 350.

President.—Mr. Hindley, I think, took exception to that figure, and thought that it was excessive.

Mr. Roddick.—Our figure (Rs. 350) has been accepted.

President.—That was not your figure.

Mr. Roddick.—It was our figure. Our competitor's figure was Rs. 450. Our figure has been accepted.

President.—Does that include Rs. 31 for landing charges?

Mr. Roddick.—Yes.

President.—That at any rate has been settled now. Would you say this that, if Rs. 350 is right for wagons, it cannot possibly be right for under-frames?

Mr. Roddick.—Yes.

President.—There is far more work in assembling an under-frame than in assembling a wagon?

Mr. Roddick.—Yes.

President.—Considering that there is more material, it would certainly appear to be so, but there again it is a little difficult for the Board, because

the increase in size might not involve an increase in work to the same extent, but *prima facie* it would seem that the same figure cannot be right for both.

Mr. Roddick.—The weight of the material handled is more than double. The figure cannot be Rs. 365 if it is Rs. 350 for a wagon.

President.—The Railway Board have given in this case your own tender, Messrs. Burn and Company's tender and a Home tender.

Mr. Roddick.—But you will realise that our tender was not for local manufacture.

President.—I understand that if you had time you would have quoted differently.

Mr. Roddick.—If the terms of delivery had been reasonable, we should have quoted for manufacture in India.

President.—Whether they are reasonable or not, if the East Indian Railway require wagons in a hurry and if they can get them from home, they will have to get them.

Mr. Roddick.—They cannot get them in 2½ months.

President.—I am not prepared to say whether they can or cannot.

Mr. Roddick.—We maintain that we can put an under-frame on the line in the same time—we don't say the same quantity per week or anything like that—as the British under-frame can.

President.—That takes us off the point a little. In the case of one tender (Messrs. Burn and Company), the Railway Board have given no less than six figures. They have worked out three figures with the exchange at 1s. 4d. to the rupee and three figures with the exchange at 1s. 6d. to the rupee. None of the six figures exactly corresponds to the British figure, but it is somewhere in the neighbourhood of Rs. 9,000.

Mr. Roddick.—Rs. 9,099 was the price quoted in the tender.

President.—What they say is this. At 1s. 6d. to the rupee, the first figure given is Rs. 9,097 (does not include the price of hand brake). The second figure is Rs. 9,455 (does include the price of hand brake), and the last figure is Rs. 8,891 (does not include the price of hand brake and lighting equipment). The British figure is Rs. 9,360 (does not include price of lighting equipment). That is not comparable with any one of the three. In any case it is quite obvious that they are pretty close together.

Mr. Roddick.—They are.

President.—We shall ask Messrs. Burn and Company about it when they come before us. Their tender is below the tender you sent in, and is also below what you would have quoted if the delivery terms had been different.

Mr. Roddick.—Our figure is Rs. 10,848-8-0.

President.—Messrs. Burn and Company told us in their letter which they sent in that their tender not only left them no profits, but that it did not cover their charges. Even if you added on the amounts given, it would still be substantially below your tender. What they say is that they worked out the cost without any allowance for profit at Rs. 9,418 and they quoted Rs. 9,144, i.e., Rs. 274 below their cost. Their total cost is Rs. 9,418. I think that comparing this statement with yours I find there is a considerable difference in the cost of the materials. First of all I had better ask one or two questions about your own statement. I notice that you have given two statements No. I and No. III which are identical, the details being the same, one showing imported materials subject to protective duties and the other showing the materials purchased in India which, if imported, would be subject to protective duties.

Mr. Roddick.—Why I put them that way was because it entirely depends on the Tata Company's prices whether we can buy them locally or not.

President.—You have assumed that the prices you would pay to Tata's would be the same as it would cost you to import.

Mr. Roddick.—Yes.

President.—I am surprised at that. Surely the engineering firms have never paid the Tata Company the full British price for plates?

Mr. Roddick.—The Tata Company were short of work in their plate mill.

President.—I am talking of the period—June to September—last year.

Mr. Roddick.—Just then they were short of work.

President.—I think that it is a pity that you put it like that. By the way, where are your wagon works?

Mr. Roddick.—We have two wagon works at the moment, at Jamshedpur and also at Garden Reach.

President.—In Statement I, Enclosure III, you say that the cost of mild steel plates is Rs. 240 (c.i.f. Calcutta), and landing charges and transport to works is Rs. 10. If you are making your wagons at Jamshedpur it is obvious that no large sums are paid for transport.

Mr. Roddick.—This has reference to under-frames which are built at Garden Reach. Wagons are built at Jamshedpur and under-frames are built at Garden Reach.

President.—But then the curious thing is that the transport charge from Jamshedpur to Garden Reach is exactly the same as from the Docks to Garden Reach.

Mr. Roddick.—I think that there is about one rupee in it, that is all. We have got now special rates from Jamshedpur, and that is Rs. 6 a ton as against Rs. 5 from the Docks.

President.—In Statement I, Enclosure V, in order to arrive at your total cost you have included customs duty. Obviously that cannot be right because there is no question of paying customs duty on what you actually buy in India.

Mr. Roddick.—We simply prepared this statement in the form in which we understood you required it.

President.—May I take it that this is simply a cabled quotation about the cost of plates and so on when you made enquiries after you got the Board's letter?

Mr. Roddick.—That is right.

President.—Then they simply are the British prices?

Mr. Roddick.—Yes.

President.—As regards these materials, there is no very great difference between your figure and Messrs. Burn and Company's figure. Of course they have not done it quite the same way. They have taken the purchases from Tata's in one lot,—channels, joists, angles and so on,—and imported materials subject to protective duty in another lot—they are angles 8" x 4". Adding these two together it comes to Rs. 2,280 against your Rs. 2,213. That is very close.

Mr. Roddick.—Yes.

President.—For the other local purchases your figure is Rs. 855 and their figure is Rs. 969. For the imported articles not subject to protective duty their figure is Rs. 2,476 against your Rs. 4,151. That is a very big difference there. It is such a big difference that I thought I ought to draw your attention to it.

Mr. Roddick.—I think it can partly be accounted for in this way. Take drawbar hooks. They make their own hooks. We import them and pay a higher rate. There are one or two items like that. Screw couplings are another. They make them while we import.

President.—That is to say, they do more fabrication work than you do, is that it?

Mr. Roddick.—Yes. They have got hammers for doing heavy forging work; we have not, and we have got to import them from Home.

President.—But the point is really this. Naturally in a case of this kind the Board would have to take the lower figure as the one to work on. If the thing can be done in India at a certain price by one firm, then presumably it can be done by other firms.

Mr. Roddick.—I see your point. But if this difference in price is practically on the imported material, then the conversion cost must be the same in both cases.

President.—What they have put down is—

	Rs.
Labour	1,433
Charges	2,260
	<hr/>
That comes to nearly	3,700
	<hr/>

Your figure is—

Labour	1,200
Trade expenses on material	722
Trade expenses on labour	1,200
	<hr/>
TOTAL	3,122
	<hr/>

Mr. Roddick.—That is because they are doing more fabrication.

President.—If they are making more of the parts that would naturally be so. If this is the main explanation of the big difference in the figures, there is special reason for the Board preferring the lower figures, because it is important to encourage as much fabrication as possible.

Mr. Roddick.—That is why we ourselves have placed orders with them to try and get them made in India.

President.—And also it would probably come to this, that in the long run firms which do more fabrication work would be given preference.

Mr. Roddick.—Certainly, but if orders are assured we would buy the necessary plant to make the heavy forgings and so save the profit that is now going to competitors on orders we place with them.

President.—The proposals that you put forward are stated at the end of your letter, namely—

- (1) Annual orders to be placed in India for wagons and under-frames up to the capacity of the country provided—
 - (a) The price for the Indian wagon does not exceed the imported and erected on rails cost by Rs. 850 each.
 - (b) The price for the Indian under-frame does not exceed the imported and erected on rails cost by Rs. 1,600.

Well, it is a sort of combination of bounty and guaranteed orders. What you are naturally anxious for is a scheme which will give you some sort of security for a number of years, but practically, until the tariff on steel can be settled for a number of years, it is not possible to settle anything about wagons and under-frames, and also we cannot separate wagons from under-frames. It is quite true that, so far as under-frames are concerned, we are at liberty to make any recommendation we like, but practically we cannot separate them from wagons, and we cannot, so to speak, anticipate the enquiry that will take place next year. It may be hoped that it will be possible to arrive at something more stable as regards steel, and if that can be done, it will be possible to do it also in the case of wagons and under-frames, but just at present I am afraid it is no use trying to do that. So far as under-frames are concerned, I don't think we can do more at present than merely suggest what should be the arrangement about them until the Steel Industry (Protec-

tion) Act expires. Naturally I think one would prefer not to have one arrangement for wagons and another for under-frames and therefore for the present up to March 1927, the only thing to do is to bring them within the present bounty scheme and to recommend to the Government of India the amount that will probably be required by way of bounty.

Mr. Roddick.—Quite so, but what we say is that one under-frame may be taken to be equivalent to two wagons, and we say that 4,000 wagons or its equivalent in under-frames is our estimate of the total output in India to-day.

President.—I am afraid that carries us rather too far. We have not been asked to advise the Government of India how the original scheme should be modified. It is only a question of supplementing the amount.

Mr. Roddick.—With regard to wagons.

President.—What would be the good of asking it for under-frames if there is no guarantee for wagons? I really don't see how you can put the two things separately. The question of guaranteed orders will come up next year. I don't see how we can deal with it just now when only one part of the question is before us.

Mr. Roddick.—You can reduce the question of under-frames to volume as in the case of wagons.

President.—Certainly, until the Act expires. As regards the Steel Industry (Protection) Act that enquiry can hardly be delayed till this time next year.

Mr. Roddick.—Then you suggest a temporary arrangement till February 1927?

President.—That is really what it comes to, that is to say, what bounty will the firms require to get orders up to the 31st March 1927.

Mr. Roddick.—We have no objection to any temporary arrangement whatsoever provided we get orders.

President.—Your figure would be Rs. 1,600 of which Rs. 300 is practically due to the Steel Industry (Protection) Act. I can't say that I accept it because Messrs. Burn and Company have given different figures. The difference between the two rates of duty as given by them is Rs. 246.

Mr. Roddick.—I can't see any mistake in our figures.

President.—Let us compare.

Mr. Roddick.—I presume weight is the only thing that has got to be checked.

President.—By the way what is your forging material?

Mr. Roddick.—Squares, flats and rounds.

President.—They come as bars?

Mr. Roddick.—Yes.

President.—Their total of rolled steel sections and forging material comes to 291 cwts., whereas yours is 244 cwts. On the other hand they give 91 cwts. for plates against your figure of 40. The difference is extraordinary.

Mr. Roddick.—I can tell you how the difference comes in. I think the side plates on the bogey are not included in here. As a matter of fact we bought them last year from Tata's but the work entailed in cutting them into shape was very heavy as we have not got the machine to cut them out. I think Messrs. Burn and Company have got a machine that will cut these into shape, so probably these are included under their heading.

President.—If the difference is of that nature, it becomes exceedingly difficult to ascertain which figure we ought to take as the extra burden entailed by the protective duty.

Mr. Roddick.—Does the total weight vary very much?

President.—The total weight they give is 301 cwts.

Mr. Roddick.—Ours is 287 cwts.

President.—It is very curious. They get a larger quantity and a smaller increase in duty. They say the tariff valuation under former 10 per cent. duty is—

Channels	Rs. 170 per ton.
Angles, joists, plates, flats	Rs. 150 per ton.
Bars	Rs. 135 per ton.

Are these the figures you took?

Mr. Roddick.—That is correct.

President.—I confess I don't know where the mistake has crept in.

Mr. Roddick.—There is a difference of about Rs. 60.

President.—It is appreciable. However, we will have to ask them about it and perhaps they will be able to enlighten us. You say "We cannot rely on getting English fittings in under 6 months from the date we receive an order."

Mr. Roddick.—We meant axle boxes and springs and things of that kind.

President.—If so, does not that mean that you cannot begin delivery till seven months after you have got an order?

Mr. Roddick.—Yes. To get out 40 wagons per month we want seven months.

President.—Then you are at a disadvantage as compared with the British manufacturer?

Dr. Matthai.—Is there any difference between the two?

Mr. Roddick.—No difference except that he never stops his works. He has always got wagons made up and he can actually ship his under-frame from his works quicker than we would do from ours. There is delay here in the various erecting shops for erecting the wagon.

President.—We have no figure for under-frames, but I think Mr. Hindley gave it as 10 weeks.

Mr. Roddick.—In December 1923 the East Indian Railway workshops were practically littered all over with wagons and the result was that not only we but Messrs. Burn and Company had to erect them. We had 500 wagons to erect for them to get them through by the 31st March.

President.—The average time taken is estimated as follows:—

Delivery f.o.b. to arrival in Indian port	5 weeks.
Arrival Indian port to placing on line	5 "

That is what Mr. Hindley gave us last year.

Mr. Roddick.—I don't know. He may be speaking from actual figures which we have not got.

President.—In your letter* you give a 1923 tender and you say "British material per list A at exchange 1s. 5d." Was it as high as that in 1923?

Mr. Roddick.—It was. I was surprised to see that. The Chamber of Commerce figures went down after that.

President.—And you worked out your own tender according to that?

Mr. Roddick.—Yes. As a rule we have to submit our tenders at 1s. 4d. basis, for the imported material column heading is "Imported material at 1s. 4d. exchange."

President.—What reason can there be?

Mr. Roddick.—We don't know.

President.—Have you done that in connection with under-frames?

Mr. Roddick.—We have not had the opportunity, but if we were asked to tender I presume the form would be the same.

* See Statement I.

President.—When you tender for under-frames you simply quote the rate of exchange at what you think it is likely to be, do you not?

Mr. Roddick.—In the particular instance of the 1923 tender the quotation was at 1s. 5d. exchange. That was the actual rate of exchange at the time.

President.—Your cost worked out to Rs. 11,893 and you took the exchange at 1s. 5d.?

Mr. Roddick.—Yes.

President.—And similarly when you tendered for the East Indian Railway you took 1s. 6d.?

Mr. Roddick.—Yes. There is a slight difference here. When we are asked to quote to the Railway Board we are asked to quote at 1s. 4d., but in this instance we were asked to quote direct to the East Indian Railway and they did not ask for any special schedule of imported material at 1s. 4d.

President.—Can you imagine any reason why you were asked to take a particular rate of exchange in quoting a particular imported material?

Mr. Roddick.—No. Perhaps the British firms were going to quote at 1s. 4d. That is the only explanation we can give. The Engineering Association have applied to the Stores Department on this question but they have not received any reply yet.

President.—I admit that sometimes there is a difficulty in foreseeing what the exchange is likely to be, but with the exchange at 1s. 6d. to make calculations at 1s. 4d. would be ridiculous.

Mr. Roddick.—The point we make is that it should be made on the budget calculation of the current year. That is fair to everybody. With a fluctuating exchange like this, where it is left to the purchasing officer to make a comparison on whatever exchange he likes, it becomes extraordinarily difficult for us to quote.

President.—I am unable to see why in the case of the Railway Board, particularly in the case of wagons, you have to quote at 1s. 4d. exchange.

Mr. Roddick.—It may be this. By getting details they want to know roughly what proportion of the wagon is imported. That may be the reason for that. That seems reasonable.

President.—Looking at page 6 of your letter* what difference would it have made as regards the cost of British material? You say that the cost of British material with the exchange at 1s. 4d. is Rs. 1,532. You cannot do it like that. This clearly includes landing charges and customs duties. You cannot make the summary adjustment. That is the whole difficulty.

Mr. Roddick.—For the landing and clearing charges, I suppose the Railway Board must have assumed the difference between the two exchanges on that particular amount would be so small that it is practically negligible. I think the Railway Board do not realise that it is 1s. 6d.

President.—Can you send us a copy of the orders of the Railway Board that you are to convert at 1s. 4d.?

Mr. Roddick.—I can send you a copy of the standard tender form.†

President.—Do you know on what date the form has been prescribed?

Mr. Roddick.—It has been going on ever since the war.

President.—It produces a grotesque situation. Your tender looks much higher than it ought to be, because you use an artificial exchange.

Mr. Roddick.—That is a fact.

President.—For another purpose it may be useful to have it calculated at 1s. 4d. because you can compare the cost of materials on different dates. But would it give you a lot of trouble to calculate at the 1s. 6d. rate for us, because we do want to know what the price might be?

Mr. Roddick.—I will work it out and send you later.‡

* Statement I.

† Not printed.

‡ See Statement II.

President.—I can't believe that the Railway Board would seriously ask you to calculate at 1s. 4d. to the rupee. There must be some misunderstanding.

Mr. Roddick.—These figures are supposed to be carefully compared.

President.—The only thing to be said about this is that your quotation was below the actual cost in this case.

Mr. Roddick.—Undoubtedly.

President.—I presume before you made your firm offer, you took into account what the British materials at 1s. 6d. would have cost you.

Mr. Roddick.—Yes. We wanted to get the orders for wagons to carry us on till March. This was not quite so attractive as the other ones so we thought we could make it certain by cutting our price. But we have not got it at all.

President.—The prices you have put down for Tata material prices are, I suppose, the prices that you actually believed you would have to pay. That is not affected by this.

Mr. Roddick.—No.

President.—As regards this tender you say "The number of wagons placed locally is not published, but the tenders called for 515 A-2 and 425 C-2 and assuming that these numbers were placed in India the bounty absorbed at Rs. 475 and Rs. 700 per wagon respectively would be Rs. 5,42,125 leaving a balance of Rs. 1,27,875 still to be allocated." But I think it is a little more complicated than that. I was working out the figures yesterday. We have got all the figures required except the number of wagons. The Railway Board have not given us that figure, and we have not yet had a written statement from the Peninsular Locomotive Company.

Mr. Roddick.—As regards the actual orders for this year for bounty wagons I understand they received an order at the lowest Indian tender.

President.—The only orders mentioned by the Railway Board as having been placed in India is 300 wagons with your firm, 550 with Messrs. Burn and Company and 1,250 with the Indian Standard Wagon Company. These are the only ones that they have mentioned as having been placed in 1924.

Mr. Roddick.—Under the bounty system.

President.—As having been placed at all. If there are others placed on any other terms, none of them has been mentioned.

Mr. Roddick.—If our information is correct, the Peninsular Locomotive Company obtained an order about last October for 500 wagons at the lowest Indian tender.

President.—But in that case they would have mentioned it, because that would be exactly the same kind of arrangement as was made with your own firm and with Messrs. Burn and Company and in some of these cases tenders were called for.

Mr. Roddick.—The point I make is that lot of wagons carried no bounty. Ours do. Hence the peculiar terms of payment we have got.

President.—I don't follow. What is your information about terms? What were they based on?

Mr. Roddick.—On the lowest Indian tender.

President.—If they were based on the lowest Indian tender, they did include the bounty.

Mr. Roddick.—We understand that the bounty was absorbed on these three orders, between ourselves, Burn and Company and the Indian Standard Wagon Company.

President.—Whatever may be the fact about that, if they received an order at the price of the lowest Indian tender, they did in fact receive the bounty. There is no way out of it.

Mr. Roddick.—I don't know what their terms of payment are, but I know our terms of payments as well as Messrs. Burn and Company fluctuated in

respect of March 31st, 1925. I don't know whether the Peninsular Locomotive Company's terms of payment did or did not—from hearsay I understand they didn't—I cannot see how they could come under the bounty.

President.—The point is this. If they received an order for wagons on the same price of the lowest Indian tender, they were in fact receiving a price substantially above the lowest foreign tender, i.e., they would be receiving a bounty. The only justification for accepting tenders above the lowest that comes in is the bounty.

Mr. Roddick.—Can there be no other justification for placing an order at a higher price than the British tender?

President.—I can't think of any.

Mr. Roddick.—Take the Peninsular Locomotive Company. That Company was started very largely under the impression that orders for locomotives would be placed in India. It may be that the Government of India decided not to place orders for locomotives in India afterwards and therefore gave them some wagons to keep them employed.

President.—All I can say is that, if an act of the Legislature was required to enable the Government of India to buy wagons at a higher price from one set of Indian firms, it would apparently require the same sanction to buy from another firm.

Mr. Roddick.—That is exactly what we don't understand.

President.—I have, as yet, no information from the Peninsular Locomotive Company.

Mr. Roddick.—The reason why I have raised that point is the information which you have read out from the Railway Board figures about three sets of orders is quite different from the information that we have.

President.—The only difference as far as I can see is that you believe that an order was placed in October with the Peninsular Locomotive Company and that was not mentioned.

Mr. Roddick.—I believe the order which was placed with the Peninsular Locomotive Company does not come within the bounty.

President.—I don't put it that way. It makes no difference. The absence of that order is the only difference.

I am trying to get on to the point from which we diverged. That is to say, in 1924 orders were placed with you for 300 wagons, 550 with Messrs. Burn and Company and with the Indian Standard Wagon Company 1,250 wagons. These were dealt with on the basis of the tenders (British and foreign) received in the previous January.

Mr. Roddick.—No. They were dealt with on the basis of the tenders submitted in July 1924.

President.—There was no foreign tender received at that time.

Mr. Roddick.—I don't know.

President.—That is the point. What the Railway Board say is "Supplementary tenders called for only in India. As no tenders were called for abroad, the costs of imported wagons, for purposes of fixing the bounties, were based on the foreign tenders received previously on 22nd January 1924." They did not call for tenders. For comparing prices they took the tenders of the previous January 1924.

Mr. Roddick.—Yes.

President.—After that an order for wagons was placed with the Indian Standard Wagon Company and an order for an unknown number of wagons was also placed with the Peninsular Locomotive Company. You finished 45 wagons, I understand, before the 31st March 1925 at the Rs. 800 rate. What the Railway Board have told us is that a bounty of Rs. 800 would be paid on wagons completed before 31st March 1925.

Mr. Roddick.—We have never mentioned this Rs. 800 figure.

President.—This is what the Railway Board say: "These prices include a bounty of Rs. 800 on wagons delivered in 1924-25 and Rs. 300 in 1925-26."

Mr. Roddick.—We have never heard of that.

President.—It is most important that you should know this, and I don't understand why a matter of this kind should be treated as secret. It is obviously right that the wagon building firms should know what was the sanctioned amount of the bounty. As regards the difference between the two rates of bounty is that in accordance with your information? Was the difference in price Rs. 500?

Mr. Roddick.—Rs. 550. Rs. 4,099 was the eventual figure: Rs. 4,649 was the other figure, the difference being Rs. 550.

President.—The Railway Board say the prices offered to Messrs. Jessop and Company and Burn and Company in 1924-25 are Rs. 4,750 and Rs. 4,200 in 1925-26. In the case of the Indian Standard Wagon Company they say the prices offered are Rs. 4,450 in 1924-25 and Rs. 4,000 in 1925-26. In the one case the difference is Rs. 550 and in the other Rs. 450, but they take Rs. 500—as the average I suppose—which is wrong for both. It makes it extraordinarily difficult to get the right result. However, working on these figures my figures are only approximate. Messrs. Burn and Company say that they finished 273 wagons before the 31st March. I take that to be the meaning of the statements attached to their letter, but I am not sure and I shall ask them whether that is correct. They have given their output of wagons month by month and I simply added the output of January, February and March. I don't think there can be any other orders pending for wagons.

Mr. Roddick.—They may have.

President.—Supposing it was 273 wagons, it would come to Rs. 2,18,000.

Mr. Roddick.—It was not 273.

President.—I must take some figure, otherwise I cannot illustrate my point. The total amount that could have been paid as bounty in 1924-25 would apparently be Rs. 4,48,000. Therefore if you are right about Burn's it is something less.

Mr. Roddick.—It is less.

President.—Was there a lapse of Rs. 3,00,000 in that year?

Mr. Roddick.—Fully Rs. 3 lakhs.

President.—That has gone for good as the law stands at present. The law only empowers the Government of India to pay 7 lakhs each year.

Mr. Roddick.—Quite so.

President.—What is thrown forward to 1925-26, according to my calculation, is Rs. 4,65,000. If your figures were right, it would be larger than that. It will be something above Rs. 5 lakhs. During the current year you have got to receive at Rs. 300 a wagon. On 255 wagons it is 76,000. Messrs. Burn and Company have got to receive a larger sum which will be paid out of this year's allotment.

Mr. Roddick.—We have no knowledge of this figure.

President.—I cannot help that.

Mr. Roddick.—These figures I had no knowledge of. When we arrived at this figure of Rs. 5,42,125 I had no knowledge of this year's contract being absorbed by bounty.

President.—The point is this that for wagons ordered in 1924 the greater portion of the bounties payable will fall on the allotment of Rs. 7,00,000 of the current year.

Mr. Roddick.—That is what I fear. There is one other point to be cleared up and that is the question of this deduction of Rs. 550. In your figure there you are calculating a bounty of Rs. 300.

President.—This is the calculation I worked out yesterday with the statement supplied by the Railway Board. These prices included the bounty of Rs. 800 on wagons delivered in 1924-25 and Rs. 300 on wagons delivered in 1925-26. As far as I can judge from the other figures, this statement is not literally correct.

Mr. Roddick.—No.

President.—There again it is the only means of calculation I had. It does not affect the principle that the major portion of the bounties payable on wagons ordered in 1924-25 will have to be paid out of the Rs. 7,00,000 which the Act empowers the Government of India to pay during the official year 1925-26.

Mr. Roddick.—I quite see that. There is another thing that has occurred. I understand one of our competitors received an order for wagons in which not only this year's bounty is absorbed, but some of next year's bounty is already absorbed.

President.—Messrs. Burn and Company have drawn attention to the fact that the condition under which they got the order for 450 wagons was that the bounty was to be paid on 1st April 1926 which means that they throw forward again to 1926-27.

Mr. Roddick.—Exactly.

President.—It is quite obvious that this has happened. It apparently arises from the precise wording of the Act, nor was it noticed by anybody when the Bill was before the Legislative Assembly and the Council of State. What was certainly in the minds of the members of the Board when they made their recommendations was that the tenders would be called for in January, and that for each annual call a sum of Rs. 7,00,000 would be available for payment of bounties on wagons ordered in that year. That seems to be a commonsense scheme.

Mr. Roddick.—Undoubtedly.

President.—Assuming that the amount of Rs. 7,00,000 is adequate, would the situation be adequately met if this full sum were available for orders placed in one year?

Mr. Roddick.—Certainly that would suit us perfectly and also we must know what the bounty is that is going to be paid.

President.—I think it is important that you should know what is going to happen. What we really have got to do as regards wagons is this. If the Board, the Government of India and the Assembly would have foreseen the circumstances which now exist, how would they have modified the scheme, that is to say, what larger amount would they have given for bounties on wagons?

Mr. Roddick.—On the Tariff Board's last recommendation.

President.—It does not matter now whether they are Tariff Board's recommendation or not. It is now an Act of the Legislature.

Mr. Roddick.—It is now an Act.

President.—As regards the general scheme, it is simply a question to what extent Rs. 7,00,000 has been found inadequate owing to the change of circumstances as compared with the circumstances which the Board found in their last enquiry.

Mr. Roddick.—Would you take the increased output as a change in the circumstances? There is a new competitor in the field.

President.—I don't think so. That would have to wait until the next enquiry comes along.

Mr. Roddick.—Is the scope of this enquiry merely confined to the question of exchange?

President.—Not necessarily to the question of the exchange, there may be other circumstances. The point is that the Legislature sanctioned this bounty of Rs. 7,00,000 annually. Supposing the exchange remained at 1s. 4d. and the prices of steel remained at the level of 1923 prices, there would be no case for the revision of the scheme merely because a new competitor has come in.

Mr. Roddick.—No. I had not looked at it in that way. I was assuming that the Board's previous estimate of the capacity of the wagon building firms was on a very low scale.

President.—The Board may have erred. New circumstances might have arisen since then. As far as I can judge, that is not within the scope of our reference just now.

Mr. Roddick.—Your reference is merely confined to the question of exchange.

President.—It is merely an enquiry into the question of off-setting duty. The danger you would run if you extended the scope of the reference would be that nothing might happen at all until March 1927. Our Report might reach the Government of India too late to be dealt with in the August-September session. Therefore, we have got to adhere pretty closely to the text of the reference if we mean to get through at all.

Mr. Roddick.—That was not the view we took of the change in the circumstances. As far as I can see, it purely confines itself to the question of exchange.

President.—Let us deal with the changes in the circumstances. To begin with there was the fall in the sterling price of steel. It is the same for everybody and can be neglected. No one is better off or worse off as far as that is concerned, but there is the question of the rise in exchange. Now my first idea was to apply the same method as we applied last November, that is to say, to deduct the cost of materials from the British price, and the balance may be taken as what the British or foreign manufacturer has to pay "above materials." But practically we cannot do that in the case of wagons. It was made quite clear in our last enquiry that the cost above materials of the British or foreign manufacturer could not be determined.

Mr. Roddick.—Exactly.

President.—I am afraid that method would be too speculative altogether and would carry conviction to nobody. Therefore, as far as I can see, the best evidence we have got are the tenders submitted in January 1925. That is the most recent evidence of the prices of imported wagons. On that basis the Indian wagon building firms are not very far out. In the case of the A-1 wagon the difference is Rs. 711, A-2 wagon Rs. 482, A-3 wagon Rs. 741, C-2 wagon Rs. 704 and C-3 wagon Rs. 1,117, so that the gulf is not so wide as it was.

Mr. Roddick.—These figures include not only no profit but do not include our charges.

President.—I am perfectly prepared to take that into account. That is a reasonable way of doing it.

Mr. Roddick.—There is a definite reason for quoting such a price. We had our labour together and we wanted some wagons to run out this year. That is our reason.

President.—I understand that. Another point that arises from these figures is the difference in the f.o.b. sterling price of the imported wagon. Approximately the price of the A-2 was £198 in January 1924 and £186 in January 1925. The reduction is only about £12.

Mr. Roddick.—£186 is quoted here.

President.—That is just the trouble. I cannot get the figures because I have not got the details.

Mr. Roddick.—We make a difference of Rs. 90 in price.

President.—In the case of A-1 wagon, the difference is only (£184—£177) £7.

Mr. Roddick.—Yes.

President.—There is this qualification which I think you will find in the Indian Trade Journal. It is also given in the Railway Board's letter. "The Metropolitan Company have offered a further lump sum reduction of £15,000 provided full quantity is ordered from them," that is to say, if instead of receiving orders for the comparatively small numbers of 170 and 515 wagons, there was an order for 1,500 wagons, the sterling price would be lower.

Mr. Roddick.—Quite so.

President.—What it comes to is this. As far as I can see, the basis of the Board's recommendation must be this comparative statement and the difference between the Indian tender and the British tender, subject to the two qualifications, (1) that allowance ought to be made for the fact that the British price would be lower for a larger quantity and (2) for the fact that the Indian tenders did not even cover their charges in some cases. As far as I can judge, that is the way we should look at it and consider how it works out. I am afraid that we shall not be able to get much corroborative evidence as to the difference in favour of the foreign manufacturer which has resulted from the rise in exchange.

Mr. Roddick.—We have not got the conversion figures.

President.—We can only judge it.

Mr. Roddick.—Yes, in addition to taking these two points into consideration, there is another point to be taken into consideration which is the number of wagons upon which bounty is given.

President.—I am afraid that means enlarging the scheme altogether.

Mr. Roddick.—It comes under the terms of reference regarding coaching under-frames.

President.—It is more than supplementing the protection given under the Act. According to the Act, there is no limitation. It is a question of criterion on what basis the increase in the amount is calculated.

Mr. Roddick.—I see that.

President.—The Act does not limit it to any number of wagons; in fact in July 1924 the Government of India sanctioned bounties on 2,100 wagons.

Mr. Roddick.—They were unable to call for any tenders right up to the end of the year.

President.—The tenders came in July and the orders were placed in August, I suppose.

Mr. Roddick.—We cannot get out any reasonable output before the 31st March.

President.—I am not talking of that. My point is simply this. Not only does the Act not limit the number but the Government of India, as I said, sanctioned at one time the payment of bounties on no less than 2,100 wagons.

Mr. Roddick.—That may be for a period of years, as it was.

President.—Perfectly!

Mr. Roddick.—But the point is that Rs. 7 lakhs cannot possibly cover us and still enable us to compete.

President.—It is not only a question of the Board having gone wrong. Once the Act is passed, the whole responsibility rests on the Act. We cannot re-open the whole question at present.

Mr. Roddick.—There may be an alteration made in the Act.

President.—I do not know. I imagine that if the bounty is to continue, the question is as to the scope of the basis of the scheme.

Mr. Roddick.—We have no objection to the basis of the scheme provided the number of wagons is increased on which bounty is payable. That means the bounty figure should be increased.

President.—I should be inclined to hold that the fact that a new competitor has come in does not really affect the question. That is just a chance.

Mr. Roddick.—Even ignoring that, with the existing competitors the amount taken is too small a figure. The estimate of the Tariff Board on the last occasion was on a very low scale even without the Peninsular Locomotive Company.

President.—I am afraid that that is outside our enquiry at the moment.

Dr. Matthai.—I want to ask one or two questions about wagons just for information. The difference between the A-1 type and the A-2 type is the

difference with regard to quantities of certain kinds of materials that are used?

Mr. Roddick.—Yes.

Dr. Matthai.—It is the same material, but the difference is in the quantities and even that is very slight?

Mr. Roddick.—Yes.

Dr. Matthai.—With regard to the price that you give for the Tata material I find in each case—with regard to mild steel plates, sheets, rolled sections and forging materials—it all comes to Rs. 160 a ton.

Mr. Roddick.—Which tender please?

Dr. Matthai.—I am speaking of the wagon tender of January 10th, 1925.* It is all Rs. 160 a ton.

Mr. Roddick.—We have averaged it up.

Dr. Matthai.—What I want to know is this. Do you get them at this average price from Tata's or do you buy these various things at various rates and work out the average?

Mr. Roddick.—In this particular case we discussed with the Tata people and came to an agreement about Rs. 160 a ton as the average price. In the previous case, i.e., in July 1924, the prices were at different rates. They were the actual prices that we paid.

Dr. Matthai.—You paid at Rs. 170 a ton?

Mr. Roddick.—Yes.

Dr. Matthai.—Whereas in the case of the January tender it is done by an arrangement with Tata's?

Mr. Roddick.—Yes. We did not get the order and so we did not carry it through.

Dr. Matthai.—In the British material with regard to diagonals I find that your July 1924 figure for the A-2 wagon is very much higher than the figure given for diagonals in the tender for January 10th, 1925. That is due to the difference in price?

Mr. Roddick.—Yes.

Dr. Matthai.—There is no difference in the sort of diagonals?

Mr. Roddick.—Exactly the same.

Dr. Matthai.—On the question of labour charges can you tell me how you got your labour charges, that is to say, do you work out your labour charges with reference to some kind of formula or do you do it with reference to the actual estimate?

Mr. Roddick.—I will tell you how we do that. In a wagon workshop there are two types of charges. One is productive material and labour which we call productive and the other is non-productive charges incurred in connection with handling labour and the supervision of manufacture. We arrive at the total amount spent in a month on material and the total amount spent on labour. We divide the non-productive charges over labour and material treating one type of charge as a charge on material and labour and treating another type as a charge only to labour.

Dr. Matthai.—You take your overhead and divide between material and labour?

Mr. Roddick.—Yes, in a certain ratio.

Dr. Matthai.—What interested me about that is this. I looked at all your tenders which you had submitted to the Tariff Board both in this enquiry and before. I find in every one of these cases your labour cost apart from the trade expenses comes to more or less 23 per cent. Is it just a coincidence?

Mr. Roddick.—It is a coincidence, pure and simple.

Dr. Matthai.—I will tell you another thing. According to 1913 figures your labour cost is Rs. 420.

* See Statement I.

Mr. Roddick.—Yes.

Dr. Matthai.—And according to the tender of January 10th, 1925, it is Rs. 690.

Mr. Roddick.—Yes, on an A-1 wagon.

Dr. Matthai.—The cost of living index numbers, such as we have in this country, show an approximate rise of 60 per cent. over pre-war rates. If you calculate 60 per cent. on Rs. 420 it comes to about Rs. 670.

Mr. Roddick.—This is the actual figure.

Dr. Matthai.—It is rather interesting. How exactly did you arrive at this figure?

President.—That is to say in considering your tender, do you actually draw up your list of the men you will have to employ?

Mr. Roddick.—We know what it has cost us on a previous order and we simply work on that.

Dr. Matthai.—How do you get Rs. 3,997? Why don't you say Rs. 4,000?

Mr. Roddick.—It looks better. There is no other reason.

Dr. Matthai.—When you speak of an under-frame, what you mean is the framework as well as the plates?

Mr. Roddick.—The under-frame is the frame.

Dr. Matthai.—It certainly does not include wheels and axles.

Mr. Roddick.—The price does not.

Dr. Matthai.—I mean the term "under-frame."

Mr. Roddick.—A complete under-frame is two sets of bogies, wheels and axles with a steel frame. On the top of that you build the wooden body.

Dr. Matthai.—Do you have separate orders for wagon under-frames?

Mr. Roddick.—I don't follow.

Dr. Matthai.—With regard to carriages the orders are for under-frames, that is because the body of a carriage is wooden and it is made by the Railways themselves. All that they want is under-frames.

Mr. Roddick.—Exactly.

Dr. Matthai.—That, of course, is very different from wagons. There is no question of under-frames for wagons, as they are made of steel.

Mr. Roddick.—The ordinary timber wagon is practically an under-frame for a wagon.

Dr. Matthai.—Have you any idea of the total demand in India for carriage under-frames?

Mr. Roddick.—I think that the present demand is approximately between 600 and 700 under-frames. This year there was a call issued by the North Western Railway for 850 under-frames.

Dr. Matthai.—I think that your estimate is six or seven hundred under-frames. Approximately what proportion of that would be the orders from State Railways?

Mr. Roddick.—I could not tell you.

Dr. Matthai.—Would it be right to say that roughly half would be demanded by the State Railways?

Mr. Roddick.—I should think more than that. Most of the 600 would be required by the State Railways.

Dr. Matthai.—That is all broad gauge?

Mr. Roddick.—Yes.

Dr. Matthai.—As regards under-frames, if you are going to ask for protection with regard to railway materials the most reasonable form of asking for protection is bounties both from the point of view of the railways and from the point of view of the country.

Mr. Roddick.—You mean to subsidise the railways at the expense of the tax-payer?

Dr. Matthai.—The Tariff Board has taken the line that in the interests of trade and commerce it should be done by bounties. Supposing you have got adequate protection in the shape of bounties for wagons, it is not necessary to introduce a fresh complication with regard to under-frames. You might leave the under-frames out?

Mr. Roddick.—Provided the bounty is increased.

Dr. Matthai.—That is assuming there is now increased competition from British firms.

Mr. Roddick.—They are the same class of work.

Dr. Matthai.—If you get protection in respect of wagons your industry gets protection. After all, it is the same industry that does both the things.

Mr. Roddick.—Provided we get the volume of work, whether under-frames or wagons is immaterial.

Dr. Matthai.—What I am trying to suggest is this. What we are out for is to help a particular industry to develop. That is the real point. But whether we help the industry to develop by protecting one form or another form of product is not important. Supposing we concentrate whatever protection we give on wagons and suggest nothing for under-frames?

Mr. Roddick.—We shall not get any under-frames to build.

Dr. Matthai.—I am coming to that. There is this difference, and there has been this difference, between wagons and under-frames that the competition from British firms for under-frames has not been so keen as for wagons. Do you accept that?

Mr. Roddick.—Yes.

Dr. Matthai.—In your letter* you say that recently matters have changed with regard to that.

Mr. Roddick.—I stated that with regard to the East Indian Railway tender.

Dr. Matthai.—From the statement we have had from the Railway Board I find that in 1924-25 all the orders for under-frames have been placed in India.

Mr. Roddick.—That means that there were only 176 under-frames ordered last year.

Dr. Matthai.—It looks like it. In 1924-25 no orders for under-frames have gone to the United Kingdom. If that is correct, during these years when protective duties have been imposed, when exchange has been against you and when, as you say, there has been increased competition from British firms, precisely during that period Indian builders have been able to hold their own against foreign competition.

Mr. Roddick.—No, that has occurred before the passing of the Act. In our letter we say that until now the competition does not seem to have been so keen. The British manufacturer did not worry about under-frames. In 1923 we quoted and our price was Rs. 11,500. With 5 per cent. profit it would be Rs. 11,893. We were offered 85 under-frames at Rs. 11,400 and we had to accept.

Dr. Matthai.—With regard to this East Indian Railway contract, I agree that it is a distinct case in proving your point.

Mr. Roddick.—This price of Rs. 11,400 must have been competitive. I do not know what the home price was.

Dr. Matthai.—With regard to that figure we have had discussion this morning. Your quotation for that means about Rs. 1,700 over the British quotation as you give it.

Mr. Roddick.—I am saying that the figure of Rs. 11,400 of 1924 must have been competitive with the British manufacturer.

Dr. Matthai.—If you took the figure at which you would have quoted, namely, Rs. 10,841, then the difference would have been Rs. 1,736 according to your estimate, would it not?

* Statement I.

Mr. Roddick.—Yes.

Dr. Matthai.—You say part of that is accounted for by the exchange and part by protective duties, and part of the difference you explain with reference to increased competition from British firms.

Mr. Roddick.—Part by exchange, part by protective duties, and part by increased competition from British firms, and the balance by the British costs.

Dr. Matthai.—The part of it that can be explained by the exchange is roughly about Rs. 500?

Mr. Roddick.—Probably that is correct, but I have not worked it out.

Dr. Matthai.—You say the protective duty on steel is responsible for Rs. 300 of the difference. There is still a difference of somewhere near Rs. 800 to account for, and that you put down to the fact that the British firms are cutting down their costs to get orders?

Mr. Roddick.—They have got to do that to get work.

Dr. Matthai.—According to Messrs. Burn and Company's figures the difference comes to Rs. 500.

Mr. Roddick.—They have not got all their charges covered.

Dr. Matthai.—Probably not.

Mr. Roddick.—I mean to say that their figure does not cover the whole of their charges. The British firms have come to such a stage that they must have orders to carry on.

Dr. Matthai.—The point I am trying to put to you is this. You see the Engineering industry is depressed everywhere and English firms are in a state of depression as you are here. I am looking at it from the point of view of the Tariff Board. What we have got to do by means of protection is to help the indigenous industry to stand up against competitors. Our business as a Tariff Board is not to solve the problem of general trade depression. Supposing you have got to cut down your costs here because the British firms are cutting down their costs, is that a matter for complaint before the Tariff Board?

Mr. Roddick.—We maintain we cannot reduce our labour costs further. In England you have educated labour who do listen to reason to a certain extent. It is very difficult to get Indian labour listen to a reasonable argument. I know of a case where a Home firm got to such a stage that they could not get orders and the trade unions were still holding out for full trade union rates. They called a meeting and formed a committee consisting of half owners and half labour and said "this is the price we can get for this contract, but we cannot pay you trade union rates. Will you accept something proportionately less?" And they accepted that, and that, I believe, is the only engineering firm that is carrying along on anything like a commercial basis.

Dr. Matthai.—What you are suggesting is really this, that where you have an educated and strongly organized trade union it is possible to get workmen listen to a proposal for reduction of wages in a way that you cannot do here. I think that is an argument that cuts both ways.

Mr. Roddick.—I don't agree with you there. The cost of British labour has gone up a great deal.

Dr. Matthai.—When it comes to a state of acute trade depression, supposing the employers get together the trade union leaders and put the whole case before them and make a proposal for cutting down their wages, then you say they would listen?

Mr. Roddick.—They did listen to this argument, but the other point is that there was more room to cut down in England than you have here, because I don't think the Indian labour is even to-day overpaid. None of these men make money.

President.—I think the evidence we had in our first enquiry was to the effect that in the iron and steel trade in England the increase over pre-war rates was smaller in the engineering industry than in others.

Mr. Roddick.—I admit they made appreciable reductions. But here is an industry where there is not much scope for reduction. What is happening is that a man is not actually earning much more than he did before the war although his rate of pay is higher, that is if he finds that instead of working for 30 days he can earn the same amount he was earning before by working for 25 days, he sits idle for the remaining 5 days. By reducing his wages now we cannot make him work for 30 days.

President.—There is one point I would like to mention. There is really no evidence that competition from Great Britain for this tender was keener than in 1924. Taking the exchange as 1s. 4d. in both cases, in 1924 it was Rs. 11,536, and in 1925 it was Rs. 10,480. The difference is only about Rs. 1,100, and that is about what you would expect from the fall in the sterling price of steel. I should expect a decrease of that amount in any case owing to the fall in the sterling price of steel.

Mr. Roddick.—In our figures there is no increase. Our material figure is Rs. 8,176 with the British material at 1s. 5d.

President.—Look at December 1923—Tata's material is Rs. 2,583. It has fallen to Rs. 2,213 in plates. Other local material in 1923 was Rs. 1,115, it has fallen to Rs. 885. Imported material has fallen from Rs. 4,478 to Rs. 4,100.

Mr. Roddick.—There is the difference in exchange there. The total figure in the body of the letter is Rs. 8,176 in the one case against Rs. 7,129 in the other. One is at 1s. 6d. and the other is at 1s. 5d. Allowance has got to be made for that. That would probably mean a drop of about Rs. 800.

President.—Take Tata's material. The difference is only Rs. 370. There must have been some reduction.

Mr. Roddick.—These imported materials are fittings and there has not been the same fall in fitting material as in steel. The price of steel has fallen appreciably owing to Tata's competition out here.

President.—I think the fall in the price of Continental steel is the main factor. Do you ever use Continental steel?

Mr. Roddick.—The price of Continental steel of British standard has not fallen very much. We cannot use that for the reason that it invariably fails out here; then again deliveries are very bad.

President.—I want to refer back to the point which Dr. Matthai was discussing just now, that is the reduction in costs. I have no more questions to ask as regards the other charges except coal. There is a fall in the price of coal. I don't see any trace of it in your estimates.

Mr. Roddick.—Actually our charges for 1924, for instance, in the wagon shop were about Rs. 138 on labour. We can only arrive at this figure of 100 when we get the maximum output.

President.—The point is, you continue to estimate that your cost above material is the same as it was about a year ago. There must have been some reduction.

Mr. Roddick.—Not if your output falls.

President.—The assumption is a full output on both tenders. Why should your tender in one year be different from a tender in another year?

Mr. Roddick.—You see this 100 per cent. on labour. This is the figure we have shown in our wagon shops since the war and there has been no reduction. Labour has gone up 50 or 70 per cent.

President.—Still it is a point I want to draw your attention to that the fall in the price of coal—and apart from that the rise in the exchange—will affect your costs. Are there not tools and fittings to be purchased?

Mr. Roddick.—No, we make our dies. There are no fittings for our wagon shop.

President.—Still if it is only lubricating oil there is something.

Mr. Roddick.—Yes, that is only a ratio. There is nothing non-productive to make up these charges.

President.—Take lubricating oil or paints. The price of paints or oil in India would be regulated by the imported price.

Mr. Roddick.—Paint is a productive charge.

President.—But it is not included in the original estimate as a separate item.

Mr. Roddick.—No, it is not.

President.—There must be some reduction. In most industries I should expect to find that there are a number of small charges which would affect the total figure.

Mr. Roddick.—Our figures do not show any increase.

President.—There is another point. If it makes no difference to the engineering firms, and if the conditions are such that a relatively small amount of bounty will suffice, it may be most economical to lay stress on the under-frames.

Mr. Roddick.—There would not be enough orders to go round.

President.—I don't quite follow what you say at the end of your letter* of the capacity of the country's output. The point is this, that if a bounty less than the wagon bounty would suffice for under-frames, it would be cheaper for the country to lay stress on the manufacture of under-frames, if they have sufficient number of orders.

Mr. Roddick.—We should not mind whether it is under-frame or wagon.

President.—The point I have in my mind is this, that although it is difficult to raise any question about increasing the number of wagons, still if you get a substantial addition to under-frames it amounts to very much the same thing.

Mr. Roddick.—Undoubtedly. If we get substantial addition to under-frames it means that the bounty figure of Rs. 7 lakhs will certainly go up.

President.—It is difficult to raise that. In this enquiry that matter cannot be fully investigated, but the amount of Rs. 7 lakhs must certainly go up.

* Statement I.

Witness No. 3.

MESSRS. BURN AND COMPANY, LIMITED.

WRITTEN.

Statement I.—Representation, dated 2nd April 1925, to the Commerce Department, Government of India, Simla.

We desire to address you regarding the position created by the Steel Industry (Protection) Act in relation to the railway carriage underframe building industry. The principle put forward by this and other companies and by the Indian Engineering Association was that should protection be granted to the steel manufacturers then the engineering industries should be protected by import duties or by bounties to precisely the same extent as the steel makers were to be protected. It was, therefore, with very grave concern that we noted that while protection was given to the steel industry and bounties were given to wagon builders nothing whatever was put forward to equalize the position of the manufacturers of carriage underframes. This industry is relatively in a much worse position to-day than it was before protection was given to the steel industry. Before this handicap was imposed we found competition exceedingly difficult to meet but with this handicap and the high rate of exchange now ruling we fear the industry will be utterly killed. This matter is one of great urgency as the East Indian Railway are now in the market for 150 underframes which we cannot hope to obtain unless the existing handicaps are removed. We, therefore, trust that an immediate enquiry may be made and that one or other of the suggestions already put before you by the Indian Engineering Association may be adopted. These suggestions were:—

- (a) To increase the Customs duty on imported underframes.
- (b) To grant a bounty per underframe equivalent to the increase in the price of steel and to take into consideration the ruling rate of exchange.
- (c) To add, when comparing Indian and foreign tenders the sum of Rs. 214 (the additional burden imposed by the Protection Act) to the foreign prices and to take exchange at 1/4.

We trust this matter may receive your very early attention.

Statement II.—Representation, dated 2nd April 1925, from Messrs. Burn & Co., Ltd.

We beg to enclose* a copy of a letter, dated December 23rd, 1924, from the Indian Engineering Association, Calcutta, to the Government of India, Department of Commerce, in connection with the position in which the manufacturers of steel carriage underframe are now placed.

This industry is one of very great importance to us and we view with grave concern the handicaps which have been imposed upon us by the Steel Industry (Protection) Act and the prevailing high rate of exchange. For several years we have been steadily increasing this branch of our business but competition has become keener and the last contract we tendered for (January 1923) we tendered at bare cost without any profit whatsoever; on that occasion we were successful and were awarded contracts for 106 underframes.

* Printed as Statement I of the Indian Engineering Association.

The East Indian Railway are now in the market for 150 underframes, tenders to be opened on June 1st. It is of paramount importance to us that we secure this contract as our underframe building shops will be entirely without work in six weeks' time, but, owing to the above mentioned handicaps which have developed since we last tendered we feel the probabilities of success are very much against us.

This matter is, as you will realise, one of very great urgency and we trust that one of the suggestions contained in paragraph 6 of the Indian Engineering Association's letter may be favourably considered.

Statement III.—Representation relative to carriage underframes, dated 25th July 1925.

With reference to your letter No. 328, dated the 4th instant, relative to carriage underframes we have pleasure in presenting the following for your consideration.

1. When the Tariff Board were considering the allied subject of wagons in 1923 the question of the protection to be given to underframes was not thoroughly investigated. This apparently was due in part to the fact that no very special representation was made by interested firms and in part because the Board was given to understand that Indian firms were able to hold their own against British competition. We must, however, point out that this statement in no way cancelled or contradicted the general principle advanced, namely that the Engineering industries should be protected by import duties or by bounties to precisely the same extent as the steel making industry is protected.

2. The reason why Indian firms were in a better position relatively for underframes than for wagons was due to the fact that competition was less keen for the former. Up to December 1923 the largest orders placed in India for Broad Gauge underframes were an order placed with us for 52 underframes from the North Western Railway in 1921 and an order placed with us for 33 underframes from the North Western Railway in 1923. For your information we enclose a complete statement (Enclosure No. 1) of all orders for underframes we have received since 1915. It will be noted no one order is of any great magnitude and under these circumstances competition has not been so keen as for contracts of 2,000 or 3,000 wagons.

3. In January 1924 we submitted tenders for a much larger lot of underframes namely 53 for the Eastern Bengal Railway, 53 for the Oudh and Rohilkhand Railway and 85 for the North Western Railway. In view of this being a large enquiry we tendered exceedingly keen rates and we were awarded the contracts for the underframes required by the Eastern Bengal and Oudh and Rohilkhand Railways. We were given to understand that our rates were almost identical to the lowest British tenders received. Our estimates for these underframes were prepared in November/December 1923 and our rates for materials were based on the exchange rates ruling during the quarter ending September 1923, namely 1—4½.

4. We shew on Enclosure No. 3 summarized particulars of material, labour and charges for the 106 underframes for the Eastern Bengal and Oudh and Rohilkhand Railways referred to in paragraph 3. As these underframes are now completed we are able to shew the actual costs under the separate heads in addition to our estimated figures.

5. The situation to-day is entirely different. In the first place the Steel Industries (Protection) Act has come into force, and exchange has risen to over 1s. 6d. The effects of these changes and the difficulties they have brought about are our grounds for asking that adequate protection be given to this industry.

We also submit that this industry meets the three conditions laid down by the Fiscal Commission which are quoted on pages 10 and 11 of the Board's first report and further that the industry is an outlet for a very considerable tonnage Indian manufactured steel.

6. We give on Enclosure No. 2 our estimate for 150 underframes for which we tendered to the East Indian Railway in June 1925. It was of extreme importance to us to obtain this contract as our last order for underframes was completed in May and our only order for wagons will be completed in October. We were thus faced with the whole of our wagon building department being absolutely without work. Under these circumstances it was necessary to obtain the order upon terms which would keep our staff and men together even though we failed to cover the whole of our establishment charges and in view of the disabilities we were under as compared with Home tenderers we quoted 3 per cent. *under* actual cost price.

7. The lowest British price for the East Indian Railway underframes is £580 c.i.f. Calcutta which at 1s. 6d. equals Rs. 7,714-0-0. The c.i.f. price of the material in the British underframe may be taken as being equal to the cost of the material less duty in an Indian manufactured frame that is Rs. 366. From this basis it is possible to run out the following comparative costs.

Case 1.

Exchange rate 1s. 6d. Duty Rs. 30 and Rs. 40 per ton on steel.

<i>Indian cost.</i>	Rs.	<i>British cost.</i>	Rs.
Material (subject to protection)	1,743	Underframe c.i.f. Calcutta (£580)	7,714
Duty	481	Duty 10 per cent.	771
Other material	3,122	Landing say	75
Duty	294	Erection say	350
Landing and railway freight	85		<hr/>
	5,725		8,910
Fabrication	3,693		
	<hr/>		
	9,418		

Case 2.

Exchange rate 1s. 4d. Duty as before Steel Industries (Protection) Act was passed.

<i>Indian cost.</i>	Rs.	<i>British cost.</i>	Rs.
Materials (£366)	5,490	Underframe c.i.f. Calcutta (£580)	8,700
Duty 10 per cent.	549	Duty	870
Landing and railway freight	85	Landing	75
Fabrication	3,725	Erection	350
	<hr/>		<hr/>
	9,849		9,995

8. The effects of the rise in exchange and of the introduction of the Steel Industries (Protection) Act are clearly indicated by comparing Case 1 with Case 2. In the former (present day conditions) we are unable to touch the foreign figure while in the latter (the conditions of which are somewhat similar to the conditions prevailing at the time we secured the contracts for the 106 underframes for the Eastern Bengal and Oudh and Rohilkhand Railways) we can just hold our own.

9. With regard to *Metre Gauge* underframes we have pleasure in shewing on Enclosure No. 4 an estimate at current rates for one such frame. Our last order for *Metre Gauge* underframes was a contract for 10 awarded by the Eastern Bengal Railway in 1922-23. The contract price was Rs. 8,700 each.

10. In regard to the measure of protection required and the manner in which it should be given we have the following remarks to make.

We understand that the main object of granting protection is to develop the industry concerned rather than to afford temporary help in a period of trade depression. To attain this result a short term of protection say for 2 or 3 years is not likely to prove entirely successful as it cannot reasonably be expected that any firm will embark upon the heavy outlay required for extending their plant to build underframes unless there is reasonable assurance of a continuity of orders extending over several years. Again it cannot be expected that any firm will make the necessary outlay unless they have reason to hope they will get a return on their money. Protection should therefore be given to compensate in full for the present disabilities under which Indian manufacturers are now placed and also to permit of them making a reasonable profit on their contracts.

We consider at the present time protection to the extent of Rs. 1,250 is required on each Broad Gauge underframe and Rs. 700 on each *Metre Gauge* underframe.

11. In regard to the manner in which protection should be given three methods suggest themselves.

(a) An *ad valorem* duty of 27 per cent.

(b) A specific duty of Rs. 2,000 each frame subject to reduction year by year.

(c) A bounty scheme as suggested below.

In our opinion (a) has the objection that the more intense foreign competition becomes the smaller the protection given and this at a time when protection is most required.

Both (a) and (b) have the disadvantage that at the present time and for some years to come Indian manufacturers cannot supply the whole number of underframes that are likely to be required. This number is, we understand, about 650 a year. At the present time the capacity of Indian builders is probably about 300 frames a year. We therefore suggest that a bounty would meet the case with more equity than either of the other two propositions.

We suggest that a bounty of Rs. 1,250 be payable on each underframe ordered from date and delivered before March 31st, 1926.

For the year 1926-27 the bounty be Rs. 1,250 on each underframe delivered up to a total of 300 underframes.

Year 1927-28	.	.	Rs.	1,000	on maximum No. of	350.
1928-29	.	.	Rs.	900	„	400.
1929-30	.	.	Rs.	800	„	450.
1930-31	.	.	Rs.	700	„	500.
1931-32	.	.	Rs.	600	„	550.
1932-33	.	.	Rs.	500	„	600.

The whole question to be reviewed in 1932-33. This scheme has the advantage (1) of limiting the liability of Government to a definite sum each year, (2) it would be a direct incentive to Indian manufacturers to increase their capacity and thus reduce cost of production and (3) it would give a sufficient period for the industry to establish itself and would so induce capital to be invested in the industry and so enable manufacturers to increase their production.

12. As an alternative we suggest that competitive tender for a definite number of underframes be called for in India each year for a period of not less than 7 years. This number to be 300 in 1926-27 and to be increased each year thereafter as Indian manufacturers increase their production.

We rate our present capacity at 200 Broad Gauge underframes of one type a year. We base this on our records. During the six months ending March 31st, 1925, we turned out 12, 15, 15, 16, 12 and 13 underframes each month in spite of the fact that during the whole period we were badly held up for steel castings.

In conclusion we would point out that in the past orders for underframes have varied greatly from year to year. Annexure No. 1 shews that the following orders for Broad Gauge underframes were placed with us.

1915	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	22
1916	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	27
1917	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	38
1918	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	0
1919	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	1
1920	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	26
1921	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	88
1922	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	0
1923	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	33
1924	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	106

We submit that orders have been placed in such an erratic manner in the past that there has been little inducement for Indian manufacturers to develop the industry.

Enclosure I.

Statement of orders received for Underframes and Bogies.

Year.	Constituent.	Description.	No.	Price.	ANALYSIS.		
					Broad Gauge.	Metre Gauge.	Narrow Gauge.
1915	E. B. Ry.	18 Underframes and 36 Bogies, 68'	18	Rs. 11,965	18	..	..
	O. & R. Ry.	4 " " 8 " 68'	4	13,535	4	..	..
	M. S. Ry.	1 " " 2 " 39'-10"	1	3,025	..	..	1
	Total for year			23	..	22	..
1916	E. B. Ry.	8 Underframes and 16 Bogies, 68'	8	12,150	8
	N. W. Ry.	19 " " 38 " 66'	19	16,000	19	..	..
	M. S. Ry.	2 " " 4 " 56'	2	8,426	..	2	..
	"	12 " " 24 " 47½'	12	2@7,276 3@8,076	..	..	..
	Total for year			41	..	27	14

Statement of orders received for Underframes and Bogies—continued.

Year.	Constituent.	Description.	No.	Price.	ANALYSIS.		
					Broad Gauge.	Metre Gauge.	Narrow Gauge.
				Rs.			
1917	M. & S. M. Ry.	4 Underframes and 8 Bogies, 60'	4	16,540	4	..	..
	"	9 " " 18 " 66'	9	16,525	9	..	..
	"	25 " " 50 " 60'	25	12,952	25	..	..
	A. B. Ry.	5 " " 10 " 40'-10 $\frac{1}{2}$ '	5	10,540	..	5	..
	E. B. Ry.	6 " " 12 " 56'	6	10,000	..	6	..
	M. S. Ry.	3 " " 6 " 56'	3	13,415	..	3	..
	"	1 " only, 22'	1	6,720	..	1	..
	"	4 " " 22'	4	6,970	..	4	..
	"	6 " and 12 Bogies, 47'-6"	6	13,415	..	6	..
	"	2 " only, 22'	2	6,720	..	2	..
	"	2 " and 4 Bogies, 47'-6"	2	13,660	..	2	..
	"	20 " 24'	20	5,820	..	20	..
		Total for year	87	..	38	49	..

Statement of orders received for Underframes and Bogies—continued.

Year.	Constituent.	Description.	No.	Price.	ANALYSIS.		
					Broad Gauge.	Metre Gauge.	Narrow Gauge.
				Rs.			
1918	J. S. Ry.	6 Underframes and 12 Bogies, 56'	6	16,300	..	6	..
	M. S. Ry.	4 „ „ 8 „ 39'-10"	4	10,152 + 12½%	..	..	4
	„	2 „ only, 13'-6"	2	3,211 + 12½%	..	..	2
	B. N. Ry.	1 „ and 2 Bogies, 2' G. 25'	1	4,600	..	..	1
		Total for year	13	..	..	6	7
1919	E. B. Ry.	1 Underframe and 2 Bogies, 67'	1	29,172	1	..	..
	J. S. Ry.	6 Underframes „ 12 „ 56'	6	16,300	..	6	..
	E. B. Ry.	1 „ „ 2 „ 55'	1	16,932	..	1	..
		Total for year	8	..	1	7	..
1920	N. W. Ry.	26 Underframes and 52 Bogies, 67'	26	17,721	26	..	..
	E. B. Ry.	1 „ „ 2 „ 55'	1	8,150	..	1	..
	„	30 „ „ 60 „ 55'	30	10,488	..	30	..
		Total for year	57	..	26	31	..

Statement of orders received for Underframes and Bogies—concluded.

Year.	Constituent.	Description.	No.	Price.	ANALYSIS.		
					Broad Gauge.	Metre Gauge.	Narrow Gauge.
				Rs.			
1921	E. B. Ry.	13 Underframes and 26 Bogies, 67'	13	17,520	13	..	..
	N. W. Ry.	52 " " 104 " 67'	52	17,520	52	..	..
	O. & R. Ry.	16 " " 32 " 67'	16	17,520	16	..	..
	"	7 " " 14 " 67'	7	17,520	7	..	..
		Total for year	88	..	88	..	..
1922	E. B. Ry.	10 Underframes and 20 Bogies, 55'	10	8,700	..	10	..
		Total for year	10	..	..	10	..
1923	N. W. Ry.	33 Underframes and 66 Bogies, 67'	33	11,350	33	..	..
	I. S. W. Co.	10 " only, 55'	10	8,700	..	10	..
		Total for year	43	..	33	10	..
1924	E. B. Ry.	53 Underframes and 106 Bogies, 67'	53	11,250	53	..	..
	O. & R. Ry.	53 " " 106 " 67'	53	11,250	53	..	..
	Martin & Co.	10 " " 20 " 39'-10'	10	5,250	..	10	..
		Total for year	116	..	106	10	..

Enclosure II.

*Estimate for 150 Broad Gauge underframes for East Indian Railway
(June 1925).*

	Rs.	A.	P.
Materials as per List No. 1	102	6	0
Materials as per List No. 2	2,476	8	0
Materials as per List No. 3	2,177	12	0
Materials as per List No. 4	969	0	0
	<hr/>		
	5,725	10	0
Labour	1,432	12	0
Charges	2,260	8	0
	<hr/>		
Total cost	9,418	14	0
Quoted at 1s. 6d. exchange. Rs. 8,891			
Step irons 253	9,144	0	0
	<hr/>		
Difference under cost	274	14	0

Enclosure III.

*106 carriage underframes for Eastern Bengal and Oudh and Rohilkhand
Railway.*

The estimated cost was as follows:—

	Rs.
Material	6,902
Labour	1,529
Charges	2,498
Dies and special tools	75
	<hr/>
Total cost	11,006

Quoted Rs. 11,250.

The actual cost was as follows:—

	Rs.
Material	6,723
Labour	1,422
Charges	2,582
Dies and special tools	101
	<hr/>
	10,833

Enclosure IV.

Estimate for Metre Gauge underframe.

	Rs.
Plate and sections 142½ cwts.	1,022
Steel bars 16 cwts.	138
Waste	61
	<hr/>
	1,221

	Rs.
Steel castings	379
Bolts and nuts	24
Rivets	150
Springs	800
Brasses	120
Vacuum brake	650
Miscellaneous items	24
	<hr/>
Material	3,368
Fabrication	3,150
	<hr/>
Total	6,518
	<hr/>

Note.—

	Rs.
The effect of the Steel Industries (Protection) Act is to increase the price of steel by	139
The effect of high exchange is to reduce the British fabrication cost by	378
	<hr/>
	517
	<hr/>

Carriage underframes.

List No. 4.—Materials purchased in India which if imported would not be subject to a protective duty.

Name of material.	Total cost.		
	Rs.	A.	P.
Vacuum brakework	732	0	0
Paints	180	8	0
Axle oil	26	4	0
Cotton waste	3	2	0
Cast iron	27	2	0
	<hr/>		
	969	0	0
	<hr/>		

Enclosure V.

CARRIAGE UNDERFRAMES.

List 1—Imported materials subject to protective duties.

1	2	3	4	5	6	7	8
Name of Material.	Weight.	Cost f.o.r. Jamshedpur.	Freight to Howrah.	Total cost.	Customs duty if imported.	Former Customs duty.	Difference 6 & 7
	Cwt. qr. lb.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Angles 8" x 4"	14 1 0	99 12 0	3 10 0	102 6 0	21 6 0	10 11 0	10 11 0

List 2—Imported materials not subject to protective duties.

1	2	3	4	5	6
Name of Material.	Quantity.	Cost c.i.f. Calcutta.	Landing charges, etc.	Customs duty.	Total cost.
	Cwt. qr. lb.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Best Yorkshire Iron	2 2 0	61 0 0	0 8 0	6 0 0	67 8 0
Bolts	2 3 0	53 0 0	0 8 0	5 8 0	59 0 0
Hex. Nuts	0 2 7	17 12 0	0 4 0	1 12 0	19 12 0
Rivets	9 1 0	98 12 0	2 4 0	10 0 0	111 0 0
Buffers (complete)	No. 4	316 8 0	4 0 0	31 8 0	352 0 0

List 2—Imported materials not subject to protective duties—continued.

1	2	3	4	5	6
Name of Material.	Quantity.	Cost c.i.f. Calcutta.	Landing charges, etc.	Customs duty.	Total cost.
	Cwt. qr. lb.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Washers . . . . .	..	2 12 0	..	0 4 0	3 0 0
Split Pins . . . . .	..	3 5 0	..	0 7 0	4 12 0
Axle boxes	No. 8	307 0 0	4 0 0	31 0 0	342 0 0
Grover Washers . . . . .	..	6 8 0	..	0 10 0	7 0 0
Steel castings	26 1 0	495 4 0	6 12 0	50 0 0	552 0 0
Screw couplings	No. 2	45 0 0	0 12 0	4 8 0	50 4 0
Turnbuckles	No. 4	29 0 0	0 8 0	3 0 0	32 8 0
Safety chains	No.16	48 0 0	1 0 0	5 0 0	54 0 0
Rubber springs	No.68	93 2 0	2 8 0	14 6 0	110 0 0
Laminated bearing springs	No. 8	452 0 0	4 0 0	45 0 0	501 0 0
Auxiliary bearing springs	No.16	76 12 0	0 8 0	7 12 0	85 0 0
Bolster springs	No. 8	98 0 0	1 0 0	9 12 0	108 12 0
Miscellaneous items . . . . .	..	15 0 0	0 8 0	1 8 0	17 0 0
TOTAL	..	2,219 9 0	29 0 0	227 15 0	2,476 8 0

List 3—Materials purchased in India which if imported would be subject to a protective duty.

1	2	3	4	5	6	7	8
Name of Material.	Weight.	Cost f.o.r. Jamshedpnr.	Freight to Howrah.	Total cost.	Customs duty if imported.	Former Customs duty.	Difference 6 & 7.
	Cwt. qr. lb.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Channels	79 2 19	557 11 0	14 15 0	572 10 0	109 8 0	67 11 6	..
Joists	4 2 4	31 12 0	0 14 0	32 10 0	6 13 0	3 6 6	..
Angles	15 0 10	105 10 0	2 13 0	108 7 0	22 10 0	11 5 0	..
Plates	91 2 0	640 8 0	17 2 0	657 10 0	137 4 0	69 1 0	..
Flats	7 2 0	54 13 6	1 6 6	56 4 0	11 4 0	5 10 0	..
Bars	77 0 0	649 11 0	14 7 0	664 2 0	154 0 0	52 0 0	..
TOTAL	275 1 5	2,040 1 6	51 9 6	2,091 11 0	441 7 0	209 2 0	..
WASTE	12 0 0	84 0 0	2 4 0	86 4 0	18 0 0	9 0 0	..
TOTAL	287 1 5	2,124 1 6	53 13 6	2,177 15 0	459 7 0	218 2 0	235 5 0

345

Tariff valuations under former 10 per cent. duty.

Channels	Rs. 170 per ton.
Angles, Joists, Plates, Flats	150 " "
Bars	135 " "

Statement IV.—Supplementary Statement, dated 30th July 1925.

Further to our letter No. S. P. of the 25th instant, we shall be obliged if you will amend the figures given on page 4, case 2, for the Indian cost of an underframe. The figures given for the cost of fabricating should of course have been increased and not reduced. The cost of fabricating should therefore read Rs. 3,725 instead of Rs. 3,661 and the total cost Rs. 9,849 instead of Rs. 9,785.*

We greatly regret that this obvious error should have occurred.

In regard to the first point raised when we gave evidence yesterday regarding the very considerable difference between the Home price for the East Indian Railway underframes supplied to you by the Railway Board and the figure we give in our written evidence, paragraph 7, we think this may be accounted for in the following manner. The tender form called for prices under three heads and to make this quite clear we give the following extract from the tender form:

“(1) 18 underframes are to be provided with:—

- (a) Trimmers, knees and hangers suitable for 15-plate cells as shown on Drawing No. 7039, Sheet No. 31A and detailed Drawing No. 10023.
- (b) Dynamo suspension gear as shown on Drawing No. 7039, Sheet No. 31A and detailed Drawing No. 7039, Sheet No. 66.
- (c) Hand Brakes are not required.

(2) 13 underframes are to be provided with:—

- (a) Trimmers, knees and hangers suitable for 21-plate cells as shown on the abovementioned drawings.
- (b) Dynamo suspension gear as shown on the abovementioned drawings.
- (c) Combined vacuum and hand brakes as shown on Drawing No. 7039, Sheets Nos. 31A and 54.

(3) The remaining 119 underframes will not be provided with lighting equipment, battery box hangers and dynamo suspension gear are therefore not required. Hand Brakes also are not required.”

As there were 119 underframes of the third type we accepted this type as our example to indicate the points we desired to illustrate in cases 1 and 2 (paragraph 7). We think it is possible that the Home price given by the Railway Board may be for underframes type 2. The difference between our tendered rates for types 2 and 3 at exchange 1s. 6d. was Rs. 564 the former being the more costly.

*Necessary corrections have been made in Statement III.

Witness No. 4.

**THE INDIAN STANDARD WAGON COMPANY, LIMITED, AND
MESSRS. BURN AND COMPANY, LIMITED.**

WRITTEN.

Statement I.—Representation dealing with wagons, dated 25th July 1925.

You will agree that there is no process of inherent difficulty involved in wagon building; it is work which it is quite possible to carry out in India at a reasonable cost.

2. The building of rolling stock is not only a natural development of the Steel Industry in India, it is also a stimulant to the steel making industry.

3. It will be seen from the attached statements (Nos. 1 and 2) of actual wagon output that Indian Standard Wagon Company are capable of turning out 2,000 wagons a year and Burn & Co., Ltd., 1,000 making a total of 3,000 wagons a year between the two companies. We are of the opinion that with a small capital outlay the output of Indian Standard Wagon Company can be increased to 2,400 wagons a year and that of Burn & Co., Ltd., to 1,200. If to those figures be added to the output of other Indian rolling stock builders it will be seen that about half the number of wagons required by the Indian Railways can be completely manufactured in India with the exception of the wheels and axles, and vacuum brake.

4. The figures now given are actual outputs from Indian Standard Wagon Company and Burn & Co., Ltd., and justify our representations which we gave in evidence before the Tariff Board in September 1923.

5. The disabilities under which the Indian manufacturer labours.

The following factors place us at a relative disadvantage in quoting for rolling stock in competition with Home and Foreign manufacturers.

(a) Since the passing of the Steel Industry Protection Act the cost of our raw materials has been increased to the extent of the protection afforded to the Indian steel manufacturer; but this handicap in no way affects the Home manufacturer whose finished vehicles, when imported, are still subject only to the old duty, i.e., 10 per cent.

In effect the protection afforded to the Indian steel manufacturer is at the same time operating as an import bounty in favour of the Home manufacturer of rolling stock for the Indian market.

(b) The decline in sterling in terms of rupees reduces the Home manufacturer's price (as expressed in rupees) relative to ours, to the extent of the wages and charges included in his price. The effect of the present rate of exchange is to afford a further import bounty to the Home manufacturer.

(c) The duty on imported rolling stock being an *ad valorem* duty, the higher the rate of exchange, the lower the Home manufacturer's price in terms of rupees, and the smaller the duty to be paid on importation; any protection afforded by the present duty is therefore decreased.

6. The three foregoing factors acting simultaneously effectively serve to prevent the Indian manufacturer getting anything but intermittent orders, therefore to the three foregoing disabilities must be added the fact that the Indian manufacturer lacks the encouragement afforded by a steady stream of orders to develop and expand the industry and thus reduce costs which we presume is the intention of the Government of India.

7. The effect of all these handicaps is accentuated by the intensified competition of the Home manufacturers who, we are assured, are quoting prices which include only material, labour and half the overhead charges and without profit.

8. We enclose a statement (No. 3) showing the effect of the passing of the Steel Industry Protection Act; the effect of the rise in exchange to 1s. 6d. on (1) the *ad valorem* duty on the finished wagon; and (2) on the Home manufacturers wages and charges.

9. From the point of view of the Indian wagon manufacturers the existing bounty scheme is not likely to prove effective.

10. The position of the 3 leading manufacturers at present is as follows:—

Indian Standard Wagon Company, Limited.

After the passing of the Steel Industry Protection Act they received orders for 1,250 wagons which will be completed in October 1925.

In February this year they received an order for 425 wagons and this will be completed in January but the terms of payment are as follows:—

Rs. 3,100 on completion of the wagons and Rs. 700 per wagon on the 1st April 1926.

Compare on the other hand the Home manufacturer's terms of payment with those the Indian firms receive. The Home manufacturers are paid the full price of their unerected wagon parts within three weeks of presentation of the shipping documents. Assuming it takes 6 weeks for the Home wagons to reach their port of destination and another 8 to 10 weeks before they are erected and put in traffic it means that the Home manufacturers receive payment of their wagons at least 3½ to 4 months in advance of the Indian manufacturers, and in the case of the Indian Standard Wagon Company's order for 425 wagons, 6½ to 7 months. We therefore consider it is only equitable that our terms of payment should be modified and the following terms of payment given:—

60 per cent. value of each wagon when underframe is completed. That is the framework and floor plates rivetted together. Balance when wagon is delivered *ex* our Works.

All bills to be met within 21 days.

The Railway Board state the Rs. 700 per wagon is a bounty and our assumption is that this amount Rs. 2,97,500 is taken from the allotted bounty of Rs. 7,00,000 for 1926-27.

Burn & Co., Ltd.—The position is as follows:—

The order for 550 wagons which they received in August 1924 will be completed in October this year and they have no further orders to go on with, so that their Wagon Department will be entirely closed down. It will be the first time in the history of the firm since they started wagon building, that this Department has been entirely closed. We are asked to reduce our costs but we contend that this is absolutely impossible unless some guarantee of continuity of orders is forthcoming which cannot be assured under the present bounty scheme.

We understand that Messrs. Jessop & Co., Ltd., are in the same position as Messrs. Burn & Co., Ltd., as they will complete all their orders by October and be entirely out of rolling stock manufacture.

11. With the advent of the Peninsular Locomotive Co., Ltd., in the wagon industry we submit that the Government should guarantee to place orders in India for (say) 4,000 wagons per year at the lowest competitive Indian prices. The Indian Engineering Association in their written statement submitted to the Tariff Board recommended the scheme but as there were then only two competing firms manufacturing wagons at that time the suggestion was discarded as being premature; this argument no longer applies.

12. As an alternative to the above suggestion we would propose a specific duty should be imposed on the basis of the prices quoted in the Indian Trade

Journal dated July 16th 1925. We submit a statement (No. 4) of the duty required based on the lowest Home and our quotations.

13. The alternative to the above two suggestions is to increase the existing bounty of Rs. 7,00,000 per year, otherwise it will be seen from the position of the three Manufacturing Companies, that it is impossible for them to reduce their working costs.

14. We submit a statement (No. 5) (which please regard as confidential) showing how working costs of Indian Standard Wagon Co., Ltd., can be reduced if a continuity of adequate orders are assured. Other manufacturers' costs can be reduced in a similar manner save that the reduction would not be so great owing to their present capacity being much smaller.

15. At present the bounty is inadequate and unless one of the three suggested methods is adopted the Indian manufacturer cannot hope to build up the industry and so reduce working costs to anything approaching the Home manufacturers' prices.

16. We append our views of the three usual types of protective measures.

Enclosure I.

A discussion of the efficacy of the three usual types of protection.

The three usual types of protection are—

- (a) An increased *ad valorem* duty.
- (b) A bounty.
- (c) A specific duty.

It seems clear that *ad valorem* duties as a system of protection are imperfect inasmuch as the measure of protection fluctuates in inverse proportion to its necessity. When the exchange rises and import prices fall, the "margin of protection" contracts and may disappear, at a time when protection is most needed. When the exchange falls and import prices rise, the "margin of protection" expands, to an extent probably unintended by the legislature.

(b) Regarding the value of bounties as a means of building up and stimulating an industry, we have the experience of the administration of the wagon bounties, which is as follows:—

- (1) Tenders are called for in the usual way, the Indian tenders are then rejected and the Government may or may not make a counter offer of a certain number of wagons at a certain price:—Government do not disclose when the tenders are discussed the method by which they have arrived at the number or the price of the wagons offered. We know the Home manufacturer can and has quoted uneconomic prices, and the object of the Government appears to be to force us to do the same.
- (2) The Tariff Board recommended a bounty of Rs. 7,00,000 for the wagon building industry. Since then the rate of exchange has moved successively from 1s. 4d. to 1s. 5d. and then to 1s. 6d. and is still rising.

When the exchange moved to 1s. 5d. the bounty was worth only Rs. 6,58,813 and when the exchange was 1s. 6d. the value of the bounty was further reduced to Rs. 6,22,200.

- (3) Under the lapse system the Indian manufacturer may lose the bounty wholly or in part through circumstances entirely beyond his control, e.g., Burn & Co., Ltd., as a result of such circumstances were able to complete only 132 wagons of the bounty order instead of 180 promised and thus sustained a loss of Rs. 28,400 (48 x 550).

Representations were made to the Railway Board, but they replied that they were unable to do anything in the matter.

- (4) The salient feature of the bounty scheme is that the number of wagons ordered in India is strictly limited by the amount of bounty available; this as previously shewn fluctuates with the exchange and tends to contracts.

In consequence the development of the industry is correspondingly limited, and the uncertainty attending the administration of the bounty and the tendency of the value of the bounty to contract prevents manufacturing firms from legislating for more than six months ahead, instead of encouraging them to invest more money in additional plant with a certainty that they will receive orders for at least the period of the Act.

Nor will the Home manufacturer risk the experiment of building works out here and assist in the industrial expansion of India, whilst he can enjoy the benefits of the import bounties afforded by the protective tariffs on steel, and the high exchange.

(c) A specific duty is in effect a public bounty as distinct from a bounty administered by a Government Department.

The total amount is not limited in advance but is regulated by the amount of rolling stock required by the railways each year.

It places the Indian manufacturer in an assured position but the Government might shrink from creating what they would regard as an Indian monopoly of the wagon and underframe trade. But we would submit that there is a sufficiently keen internal competition in India relative to the size of the orders available, to ensure that the Railways would not pay unreasonable prices.

Paragraphs 103 and 104 of the Indian Fiscal Commission's Report (1921-22) are worthy of note.

"In exceptional cases a higher rate of protection, though imposing a greater burden on the consumer, may attain its object in a shorter time, and may therefore, prove to be of smaller total burden than a low rate continued over a long period * * * *". The relative cost of production will also be some guide to the Board as to whether an industry fulfils the primary conditions laid down for protection. If the difference in cost of production in India and other countries is large, there is a *prima facie* presumption that India does not possess the necessary natural advantage for the industry."

(C) *Our suggested scheme of protection.*

- (1) Competitive Indian tenders.
- (2) A specific duty.

Alternatively, we suggest that the protection should take the form of a specific duty on rolling stock, in substitution of the existing *ad valorem* duty of 10 per cent.

Therefore the specific duty should serve to cancel:—

- (1) The indirect advantage the Home manufacturer derives from the fact that our raw materials have increased in price owing to the operation of the Steel Industry Protection Act.
- (2) The reduction of the existing duty occasioned by the rise in exchange.
- (3) The indirect advantage the Home manufacturer derives from the fact that the portion of his price representing wages, charges and profit is reduced by the exchange which does not in a like-manner effect our similar costs.

Enclosure II.

INDIAN STANDARD WAGON COMPANY, LIMITED.

Orders in hand—1,675 wagons, open type.

Despatches.

Month.	Estimated.	Actuals.
January 1925	50	..
February 1925	75	50
March 1925	100	180
April 1925	125	125
May 1925	150	150
June 1925	150	165
Total to 30th June	650	670

Assuming the Works continue to despatch 150 wagons each month all orders will be completed in January 1926.

The Forge Shop and Smithy will complete all their components early December and the Machine Shop early January.

Enclosure III.

BURN & CO., LTD., HOWRAH IRONWORKS.

Output of Wagon Department for six months ending June, 1925.

	January.	February.	March.	April.	May.	June.	TOTAL
Broad gauge wagons	76	95	102	45	85	82	485
Do. underframes	16	12	13		4	..	53
Narrow gauge wagons . . . . .	..	..	..	4	6	..	10
Total No. of vehicles each month	92	107	115	57	95	82	548

352

The number of B. G. underframes delivered during the six months ending March 31st 1925 was 83.

NOTE.—Each B. G. underframe is equivalent to two wagons, therefore the total output expressed in terms of wagons equals 601 for the first six months of year 1925 or say 100 wagons per month.

Enclosure IV.

(A) Effect of exchange on *ad valorem* duty on finished wagon and the wages and charges included therein.

Duty.

	£
Home manufacturers quotation	177
Freight as per Railway Board Evidence, page 314, Vol. III	19
	<hr/> 196 <hr/>
	Rs.
£196 @ 1s. 4d. = Rs. 2,940, duty 10 per cent.	294
£196 @ 1s. 6d. = Rs. 2,613, duty 10 per cent.	261
	<hr/>
Decrease in duty	33
	<hr/>

Wages and Charges.

	Rs.
£92.5 @ 1s. 4d.	1,387
£92.5 @ 1s. 6d.	1,233
	<hr/>
	154
	<hr/>

(B) Increase in our Customs duty.

	Rs.
Present duty	335
At the old rate 10 per cent.	232
	<hr/>
	103
	<hr/>

(C) Comparison of duty on finished wagon with that on our raw materials shows that we had a small margin of protection in the preprotection period but are now at a disadvantage.

Preprotection period.

	Rs.
Duty on finished wagon	261
Duty on our raw materials	232
	<hr/>
Margin of Protection	29
	<hr/>

SUMMARY.

	Rs.
Home manufacturer's quotation adjusted for freight duty landing and erection	3,230
<i>Add.</i>	
(A) For effect of exchange on—	
(1) <i>Ad valorem</i> duty	33
(2) Wages and charges	154
(B) For increase in our Customs duty	103
(C) For loss of our former protection	29
(D) Under cost	471
	790
(C) For our profit	87
	4,100

Enclosure V.

Year 1925-26 Tenders (Exchange 1/6).

	F.o.b. £	Freight £	C.i.f. £	C.i.f. Re @ 1s. 6d.	Clearing and erection.	TOTAL.	Our quotation.	Duty required on c.i.f.	% of c.i.f.	Existing duty.	Extra duty.
A-1 (170) . .	177	19	196	2,613	356	2,969	4,100	1,131	43.4	261	870
A-2 (515) . .	183.5	19	202.5	2,700	356	3,056	4,150	1,094	40.6	270	824
A-3 (245) . .	194.5	19	213.5	2,817	356	3,203	4,360	1,057	37.1	285	772
C-2 (425) (1) .	..	..	..	2,495	356	2,851	3,800	949	38	249	700
(2) .	176.5	19	195.5	2,607	356	2,963	3,800	837	32.2	266	577

Enclosure VI.

F. O. B. Value of Wagon Materials in 1925 and in 1913.

—	Weight.	Landed value.	Landing.	Difference.	Duty.	Difference.	Freight.	Total of Landing duty and freight.	F.o.b. value.	
									Rs.	£
1925.	Tons.									
Protected Materials . .	5½	980	5	975	197	778	..	..	..	..
Unprotected Materials .	..	1,526	8	1,518	138	1,380	..	..	..	..
TOTAL .	..	2,506	13	2,493	335	2,158	190	515	1,957	146.7
1913	..	1,766	..	..	..	..	..	265	1,501	100

Enclosure VII.

A-1 Type Wagon—Cost of Material, 1925.

Material.	Weight.	Rate.	Value.
	Cwt.	Rs. A. P.	Rs. A. P.
Structural Materials—			
Channels	24 3 11	8 3 0	203 7 1
Angles	12 1 3	8 3 0	102 8 11
Angles Bulb	4 3 25	8 3 0	40 11 6
Plates—			
$\frac{1}{16}$ "	10 1 25	10 8 0	109 15 6
$\frac{3}{16}$ "	0 0 2	10 8 0	0 3 0
4 lbs.	5 2 15	10 8 0	59 2 6
$\frac{1}{4}$ "	0 1 8 $\frac{1}{2}$	10 8 0	3 6 9
6 lbs.	2 3 27	8 3 0	24 7 10
$\frac{5}{16}$ "	0 0 3	8 3 0	0 3 6
$\frac{1}{8}$ "	16 1 2	8 3 0	133 3 1
$\frac{3}{8}$ "	0 1 6	8 3 0	2 7 9
$\frac{1}{2}$ "	3 3 8	8 3 0	31 4 7
$\frac{3}{4}$ "	5 3 6 $\frac{1}{2}$	8 3 0	47 8 10
$\frac{1}{2}$ "	1 2 15	8 3 0	13 6 1
Miscellaneous Materials—			
M. S. Flats	1 3 20 $\frac{1}{2}$	} 8 3 0	17 6 3
M. S. Rounds	0 0 21 $\frac{1}{2}$		
Horncheek Special Section	1 1 9	8 3 0	10 14 3
"B" Steel	15 0 9 $\frac{1}{2}$	8 3 0	123 8 3
"D" Steel	5 3 1 $\frac{1}{2}$	8 3 0	46 3 5
Grade "A" Iron	12 2 11 $\frac{1}{2}$	8 3 0	103 2 8
Rivets	4 1 14	17 14 0	78 3 3
Bolts, Nuts, Washers and Split Pins, etc. . . . .	..	..	11 14 9
Cast Iron	1 2 12	6 8 0	10 7 2
Carried forward	132 1 4 $\frac{1}{2}$	..	1,173 12 11

A-1 Type Wagon—Cost of Material, 1925—contd.

Materials.	Weight.		Rate.			Value.		
	Cwt.		Rs.	A.	P.	Rs.	A.	P.
Brought forward	132	1 4½	..			1,173	12	11
Fittings, etc.—								
Springs	12	0 20	..			411	4	11
Steel Castings	3	1 10	..			181	10	0
Buffer Cases and Plungers	4	1 0	..			173	14	4
Axlebox Dustshield . . . . .	..		..			6	0	0
Vacuum Brake . . . . .	..		..			272	0	0
Axlebox Bearings . . . . .	..		..			129	0	0
Spring Washers . . . . .	..		..			4	0	0
Oil for Axleboxes . . . . .	..		..			13	2	0
Cotton Waste for do.	0	0 10	..			1	9	0
Paint, Linseed Oil, etc. . . . .	..		..			140	0	0
TOTAL	152	0 16½	..			2,506	5	2

Enclosure VIII.

Comparison, 1923 and 1925.

Material.	As per our previous statement re. 1923.		As per above statement re. 1925.								
B. Class Steel	17	1 1	190	14	10	15	0	9½	123	8	3
Steel Castings including Buffers.	7	0 4	343	1	11	7	2	10	355	8	4
Wrought Iron	12	1 26	175	14	5	12	2	11½	103	2	8
Spring Steel	12	0 20	423	2	8	12	0	20	411	4	11
Other Material	4	0 0	722	2	11	1	2	12	588	2	3
D. Class Steel	5	0 18	65	8	6	5	3	1½	46	3	5
Steel to B. S. S. No. 18 Report 24 of 1921.	94	3 11	1,172	5	4	97	0	26	878	7	4
TOTAL	152	3 24	3,093	3	7	152	0	16½	2,506	5	2

Statement III.—Supplementary Statement, dated 30th July 1925, submitted by Messrs. Burn & Co., Ltd.

Further to our letter No. OM. of the 25th instant we beg to submit as requested a statement shewing the comparative British and Indian costs of wagons before and after the passing of the Steel Industries Protection Act.

A-1 TYPE WAGON.

CASE I.

Exchange 1s. 6d. Duty as at present.

<i>Indian cost.</i>		<i>British cost.</i>	
	Rs.		Rs.
Materials (Protected)	778	Wagon c.i.f. Calcutta	£177
Duty	197	and £19=£196	2,613
Other materials	1,380	Duty 10 per cent.	261
Duty	133	Landing	31
Landing, etc.	13	Erection	325
	<hr/> 2,506		<hr/> 3,230
Fabrication	1,507		
	<hr/> 4,013		

Difference Rs. 783.

CASE II.

Exchange 1s. 4d. Duty as per before Steel Protection Act.

<i>Indian cost.</i>		<i>British cost.</i>	
	Rs.		Rs.
Material £162	2,430	Wagon c.i.f. Calcutta	
Duty 10 per cent.	243	£196	2,940
Landing	13	Duty 10 per cent.	294
Fabrication	1,520	Landing	31
	<hr/> 4,206	Erection	325
			<hr/> 3,590

Difference Rs. 616.

Indian cost of fabrication excludes profit.

Statement III.—Letter, dated the 6th August 1925, from Messrs. Burn & Co., Ltd.

As requested in your letter No. 429, dated the 3rd instant, we have pleasure in returning the record of evidence given by our representatives before the Tariff Board on July 29th duly corrected.

2. In regard to the matter referred to on page 19 relative to the "reasonable" profit on contracts we desire to place the following before you:—

- (a) The British Admiralty before the war used to place contracts for special work on the basis of cost price *plus* 10 per cent. profit.
- (b) In 1920 the Government of India placed a contract with us for the erection and partial reconstruction of 5,000 wagons. The contract value was over 90 lakhs and it was placed with us on the basis of cost price *plus* 10 per cent. profit.
- (c) We have just completed a contract for repairing the pilot vessel "Fraser" for the Government of Bengal. The contract exceeded three lakhs, the terms were cost price *plus* 10 per cent. profit.

3. In all cases it will be noted cost *plus* 10 per cent. profit was allowed. This profit must obviously have been considered reasonable by the three authorities concerned. We therefore submit that the suggested profit of but 8 per cent. mentioned in our representation must also be considered reasonable.

4. To consider the matter from another point of view we would cite the Indian Standard Wagon Company, Limited. This Company has 40 lakhs of ordinary Shares and 20 lakhs of 7 per cent. Preference Shares.

5. The works are at present capable of turning out 2,000 wagons a year at say Rs. 3,800 each giving a turnover of Rs. 76,00,000.

6. Profit at 8 per cent. on the cost would be:—

	Rs.
Cost	70,37,000
8 per cent. profit	5,63,000
	76,00,000

The disbursement would be as follows:—

	Rs.
Income and super tax	85,000
Sinking Fund	24,000
Preference Div.	1,40,000
Reserve Fund	1,00,000
Ordinary Shares 5 per cent.	2,00,000
Carry forward	24,000
	5,63,000

7. The Sinking Fund represents 2 per cent. on the secured loan of 12 lakhs and this percentage will probably be increased to 5 per cent.

8. Interest on this loan has been taken as a charge on production cost and therefore is not included in above.

9. We submit that a profit of 8 per cent. cannot be considered excessive when in this instance the yield on the Ordinary Shares would be but 5 per cent.

**MESSRS. BURN AND COMPANY, LIMITED, AND THE
STANDARD WAGON COMPANY, LIMITED.**

B.—ORAL.

**Evidence of Messrs. T. M. SHEWELL and J. D. BALFOUR
recorded at Calcutta on Wednesday, the 29th July 1925.**

President.—I should like to begin this morning, Gentlemen, by thanking you for the letters you have sent in about wagons and under-frames. The preparation of these statements must have involved a great deal of work and trouble, but they are exactly the kind of thing we want and they will be exceedingly useful to us. I think perhaps it will be most convenient to begin with the under-frames, but before coming to them there is one word I should like to say about your letter regarding wagons. What it comes to is this. You have made rather extensive proposals which will be important and relevant in the statutory enquiry to be held next year before the expiry of the Steel Industry (Protection) Act. But to take them into consideration now would mean that the whole question was open for discussion at this stage. Apart from any theoretical reasons, there are practical reasons for not attempting any ambitious scheme at this time. Until the tariff on steel has got into a form in which it is likely to remain stable for several years, it is almost impossible to devise a scheme for wagons and under-frames which would have any real chance of success. In the main what we have got to consider in this enquiry is this. Under-frames are just as suitable objects of protection as wagons are, and they are indeed a kind of wagon. If wagons fulfil the conditions laid down by the Fiscal Commission, under-frames do so also. Therefore, the first question is what is the amount of assistance the building of under-frames requires; in addition, as regards wagons, in what respects have conditions changed since 1923, so that the amount provided in the Steel Industry (Protection) Act, *viz.*, Rs. 7,00,000, has become inadequate. In this enquiry, which is a summary one and has to be put through against time, it is hardly possible to consider any general scheme. Taking your letter as regards under-frames, at the end of paragraph 1 there is a sentence:

“ We must however point out that this statement in no way cancelled or contradicted the general principle advanced, namely that the Engineering industries should be protected by import duties or by bounties to precisely the same extent as the steel making industry.”

I might accept that statement if you add the proviso “ provided that protection is required in respect of any particular commodity manufactured by the engineering industry ” and that was practically the view which the Tariff Board took. Whether the Board were right or wrong, we have now got to consider whether under-frames require protection now. I should like to turn now to pages 3 and 4 of your representation about under-frames. The information we have received from the Railway Board is slightly different from the figure which you have given for the cost of an imported under-frame. The figure given by the Railway Board is £610. The f.o.b. price is £561 plus £49-6-0 freight, insurance, etc., which makes £610 c.i.f.

Mr. Shewell.—We were told £548 plus £32 freight.

President.—This is the statement, which has come to us from the Railway Board, which gives all the details. I presume, we must take it, that they have supplied us with correct figures. You will see that they converted the c.i.f. price into rupees at both rates of exchange, *viz.*, at 1s. 4d. and at 1s. 6d. It has a bearing on the case generally.

Mr. Shewell.—I am not quite sure about the price of £561.

President.—Surely your information cannot have come from a better source.

Mr. Shewell.—My point is that under-frames include certain extras, such things as hand brake gear, etc. We have endeavoured to compare in our letter like with like.

President.—I will come to that in a moment. They have given us a comparison of your tender with the British tender. The British tender excluding the lighting equipment they have given as Rs. 9,360 at 1s. 6d. exchange and Rs. 10,480 at 1s. 4d. For your tender they have given no less than six figures, three at 1s. 4d. and three at 1s. 6d. Let us take the figure at 1s. 6d. They gave your tender as follows :

Rs. 9,097 (does not include the price of hand brake).

Rs. 9,455 (does include the price of hand brake).

Rs. 8,891 (does not include the price of the hand brake and lighting equipment).

Mr. Shewell.—Might I see how the Railway Board arrived at Rs. 9,330?

President.—If you look at the next page, you will find a statement giving details. Rs. 10,479-15-3 is the total cost in rupees. The cost of erection they have given as Rs. 365, landing and port charges Rs. 45. I am not asking you for the moment to accept the Railway Board's figure in the sense that allowance for erection is a suitable allowance. But I think you can take it that is the sum that they actually did allow in comparing the prices. It is only in that sense you must take the figure as being the actual figure. First of all, as regards the figures entered in this statement as being your tender, are they in accordance with the figures in your possession?

Mr. Shewell.—They agree.

President.—I have one or two questions to ask about the British tender, for instance, about the allowance they have made for the cost of erection and so on. I think all that really one wants you to accept at the moment is that is what the Railway Board actually took as the English tender. What reason have you for doubting it?

Mr. Shewell.—I believe there was one cabled price for under-frames and there were certain extras for fittings.

President.—The Railway Board have supplied us with certain figures, and unless you consider that the figures they have given in the statement are not really comparable, we must take it they cover exactly the same items.

Mr. Shewell.—I don't think they are comparing like with like.

President.—They have done it in great detail. They have given three different prices, the first including the price of hand brake, the second excluding the price of hand brake and the third excluding the price of hand brake and lighting equipment.

Dr. Matthai.—What other fittings are you thinking of?

Mr. Shewell.—We include step irons of about six different types. They vary in price from Rs. 173 to Rs. 321 a set. We do not know whether any set is included in the Railway Board's figures.

President.—Why do you think they are not included? Where did you get your price of £580 from?

Mr. Shewell.—I got this figure from the Controller of Stores, East Indian Railway, by telephone.

President.—Did you get any details as to what exactly it covered?

Mr. Shewell.—I did not.

President.—Is it not reasonable to assume, in the first instance, that the Indian and British prices are comparable, unless you have got definite reason to think that they are not?

Mr. Shewell.—Might I send you a note about that?

President.—I don't think it is material. The point is rather this. As the figures are given, your tender comes out lower than the British quotation.

Mr. Shewell.—It does.

President.—Have you any reason to think the Railway Board are unduly benevolent to you? If your tender is right, why should the British tender be wrong?

Mr. Shewell.—It would be so.

President.—Why do you assume that?

Mr. Shewell.—Because I believe that the £561, which is shown in that list, includes rather more than we have included here.

President.—For instance, you mentioned step irons; is that not included in the price of yours as given to the Railway Board?

Mr. Shewell.—It is not shown there.

President.—Does not this figure of Rs. 9,097, include the step irons?

Mr. Shewell.—We included the figure in Annexure No. II sent in with our letter.

President.—You quoted Rs. 9,144. That does not exactly agree with any of these prices?

Mr. Shewell.—No.

President.—I thought you said that they were correct.

Mr. Shewell.—They have got a figure there Rs. 8,891, that is without step irons.

President.—I see what you mean. You add to the Rs. 8,891 the cost of the hand brake and lighting equipment?

Mr. Shewell.—Yes.

President.—Do you think that they have left out step irons?

Mr. Shewell.—We don't know.

President.—Is there anything else that they have omitted which is included in the British tender?

Mr. Balfour.—It is very difficult to say unless we saw the detailed quotations.

President.—You start with the initial supposition that the Railway Board have made a mistake, and the reason is that certain prices were supplied to you by the Controller of Stores without giving any details. But I cannot assume that the Railway Board have gone wrong. I am interested in this statement that you have sent in, comparing how you stood at present with the protective duties and the exchange at 1s. 6d. with the position, as it would be, if the protective duties were abolished and the exchange were back at 1s. 4d. everything else, I take it, remaining unchanged.

Mr. Shewell.—Yes.

President.—I tried to verify the calculation myself. I got figures very close to yours as regards Indian cost, but not identical. How did you work out the cost of materials?

Mr. Shewell.—Are you referring to Case No. 2?*

President.—You started with Case No. 1. That shows the actual cost as it is to-day?

Mr. Shewell.—Yes.

President.—I take it you started with that and worked back to see what it would be, if these two conditions changed. How did you adjust the cost of material?

Mr. Shewell.—We have sent in 4 lists as requested by the Tariff Board. I can tell you what we did. Lists Nos. 1 and 3 contain imported materials subject to protective duties and materials purchased in India which, if imported, would be subject to a protective duty. I took the cost free on rail Jamshedpur less duty.

President.—And converted that?

* See Statement III.

Mr. Shewell.—Yes.

President.—But the point is you have got to make a deduction for landing charges in order to get at the c.i.f. price.

Mr. Shewell.—I have taken the cost free on rail Jamshedpur less duty.

President.—Simply you took off the duty and nothing else?

Mr. Shewell.—Quite so.

President.—That would bring your figure in that case a little higher.

Mr. Shewell.—I think that is a reasonable method of doing it.

President.—There is just this point. The basic assumption is that the price of Jamshedpur steel goes up and down according to the price of British steel. That is your assumption. In order to get back to the corresponding c.i.f. price, there must be some deduction. It only makes a small difference.

Mr. Shewell.—Yes.

President.—It is a smaller sum if you convert it at 1s. 4d. and at 1s. 6d.

Mr. Shewell.—For list No. 2, I took the c.i.f. cost. For list No. 4, I took the c.i.f. price less duty on the vacuum brake.

President.—What is list No. 4?

Mr. Shewell.—Materials purchased in India which, if imported, would not be subject to a protective duty.

President.—They are purchased in India?

Mr. Shewell.—Yes. We took the actual price excepting in the case of brakework on which we allowed 10 per cent. duty.

President.—You took what off that?

Mr. Shewell.—I took off 1/11th of that.

President.—I think there is only a comparatively small difference between my figures and yours. There is just one small point in the Indian cost. In case No. 1 you took the fabrication cost as Rs. 3,693, and in case No. 2 as Rs. 3,661. I don't quite see why the lower rate of exchange should decrease the cost of fabrication. If anything, it must be the other way.

Mr. Shewell.—We recover certain of our establishment charges by a percentage on the value of the material.

President.—I am afraid it beats me completely. I don't follow it at all. If you estimate your cost on the percentage basis, your estimate of cost might vary. But how could the actual cost be affected?

Mr. Shewell.—No, it would not be affected.

President.—The point is really this. In the first place, as far as I can see, there is no conceivable reason why it should be less. If the exchange had gone down it might be more.

Mr. Shewell.—I am afraid there is a mistake.*

President.—I would rather like to put one or two questions not with reference to this figure, but on the general question. When the exchange rises, admittedly the price of the imported article goes down. To that extent you are worse off, but there is always the question in any industry whether there is not something to set off against that. It cannot affect your labour cost until there is a revision of wages, and I understand that there has been no such revision. Is that correct?

Mr. Shewell.—Yes.

President.—What are the other things that are included in the cost of fabrication?

Mr. Shewell.—We include all items of establishment charges.

President.—Does that include cost of coal?

Mr. Shewell.—Yes.

*See Statement IV.

President.—The cost of coal has gone down. I don't want to lay any stress upon that, though it can be argued that, in so far as the rise in exchange has restricted the sale of coal overseas, it has left a larger surplus to be disposed of somehow, and, therefore, may be a contributory cause in bringing down the price of coal. Now apart from that, does your fabrication cost include the purchase of a certain amount of consumable stores?

Mr. Shewell.—Yes.

President.—There again, if the price of any of these stores is regulated by the cost of importation, then you gain something there by the rise in the exchange. It also includes, I take it, overhead charges such as depreciation and interest on working capital?

Mr. Shewell.—Yes.

President.—The interest on working capital would gradually come down because with the higher exchange less is locked up in the cost of the materials per wagon. All these things are small. What I was wondering was whether you could give us any sort of idea as to the extent of these small gains.

Mr. Shewell.—I am afraid I could not.

President.—I quite see that it may be difficult.

Mr. Shewell.—Against that I should like to observe that the percentage we charged on labour and materials did not cover the expenses of running our shops.

President.—I see your point. When you are making a loss, even supposing you make some gain in small things, it is not a question of increasing your profit but of reducing the loss.

Mr. Shewell.—That is our point.

President.—Unless you are prepared to accept the Railway Board's figure, it is not much use my asking any questions about the British figures. I think that we must leave it at that. But we would be very glad to hear what you have got to say when you have had time to consider that.⁴

In paragraph 10 of your letter about under-frames, you say "We consider at the present time protection to the extent of Rs. 1,250 is required on each broad gauge under-frame and Rs. 700 on each metre gauge under-frame." What I would like to know is how did you arrive at the figure of Rs. 1,250?

Mr. Shewell.—That again is based on the difference between our cost and the Home cost.

President.—Can you give us any figures? I have failed to connect it up.

Mr. Shewell.—We have taken our cost at Rs. 9,418 and the Home cost, according to my calculation, as Rs. 8,910. The difference is Rs. 508. To that we have added a reasonable profit.

President.—You have added Rs. 752 for profit. That comes to Rs. 1,260 in round figures.

Mr. Shewell.—Yes.

President.—How did you estimate your reasonable profit?

Mr. Shewell.—I have assumed 8 per cent.

President.—8 per cent. on what?

Mr. Shewell.—On the cost of the under-frame.

President.—It is very difficult for the Board to form an opinion as to what is reasonable and what is not reasonable. When the overhead is calculated on the fixed capital expenditure involved in the works, it is a matter of arithmetic, once you determine what is reasonable capital expenditure. But as regards the percentage on the cost of the under-frame, I personally should not be prepared to express any opinion.

Mr. Shewell.—As you are aware, during the war time, firms were given their cost price plus 10 per cent., which, I presume, must be admitted as reasonable.

*Not received.

President.—I would not admit the profit made during the war as reasonable. I know that it was general. Of course, I quite admit that, when you are up against a practical necessity to get something done, you have to take a shorthand method. I quite understand that both in your case and in the case of Messrs. Jessop and Company there is always this difficulty that things are mixed up. All sorts of things are being done in the works. Therefore, you can only make an allocation of various charges to the various departments, and the allocation may vary not because of any change in the circumstances in any one particular department but because of something else. Some other department may be short of work. But what about the Standard Wagon Company? Is there any possibility of arriving at a figure on the basis of their fixed capital expenditure?

Mr. Shewell.—I am afraid that the Standard Wagon Company do not build under-frames at present.

President.—But they are equipped to build wagons. One under-frame represents the same work as two wagons?

Mr. Shewell.—Yes, approximately.

President.—I am afraid that a more percentage does not carry us very much further.

Mr. Shewell.—I put it as 8 per cent. which appeared to me to be reasonable.

President.—It may be perfectly reasonable. It may be too little or too much, I do not know. That is my point.

Mr. Shewell.—If I had got a contract for 100 under-frames in our works, it would probably take us a year to finish. In our opinion, to get 8 per cent. on that outturn in a year is not unreasonable.

President.—How are you to satisfy us that it is right, that is the point. Our difficulty is that, if we once make our recommendation in a matter of this kind, we practically bind ourselves to make the same kind of recommendation in similar cases. That might tie us up. I am not saying that 8 per cent. is excessive. I have not got any opinion at all about it at present. You cannot think of any other way in which you can help us?

Mr. Shewell.—At the moment I cannot. I am afraid it is a matter of opinion very largely. We have given you our opinion and it is for the Board to form their own opinion.

President.—We always cannot accept the opinions of the applicants for protection. If you can think of anything which will be helpful to the Board, or if you can justify this 8 per cent. we would be very glad to have it.

Mr. Shewell.—Yes.*

President.—You say that protection to the extent of Rs. 700 is required for metre gauge under-frames. There was no other British tender for comparison.

Mr. Shewell.—No.

President.—Is it worked out arithmetically that, if Rs. 1,250 is the amount of protection required on broad gauge under-frames costing Rs. 9,000, it is Rs. 700 on metre gauge under-frames?

Mr. Shewell.—It was done in a very similar manner.

President.—It could hardly be worked out in that way, if you had not the British price before you started the calculation.

Mr. Shewell.—I took what I considered to be the difference due to exchange and the duty on steel, and to that I added again a profit at 8 per cent.

President.—I don't understand what justification the figure could have, unless there was some British price assumed.

Mr. Shewell.—I had no British price with which to compare.

President.—But in that case there is no evidence that protection is required.

*See Statement III.

Mr. Shewell.—What I have taken is the difference due to exchange and duty.

President.—If it is merely put on that ground, it is hardly acceptable. The underlying assumption would be that you could hold your own with the exchange at 1s. 4d. to the rupee and the duty at 10 per cent., and that under-frames require protection only to the extent of these changes.

Mr. Shewell.—That is so.

President.—But there is no evidence that the initial assumption is right.

Mr. Shewell.—We have no information.

President.—It is not a very important point, fortunately. You yourself say that the full capacity of the Indian works for under-frames is about only half of what the demand is likely to be. I do not think that it is worth worrying about the figure of Rs. 700. I merely wanted to know how you arrived at it. How did you get the estimate of the capacity of the Indian builders as 300 under-frames a year?

Mr. Shewell.—It is only an estimate, 200 for ourselves and 100 for others.

President.—Take the Indian Standard Wagon Company. You said that they did not make under-frames because they had not the under-frame equipment.

Mr. Shewell.—Yes.

Dr. Matthai.—Does it require separate equipment?

Mr. Shewell.—It requires a special lay out of the railway lines and so on. Under-frames, as you know, are very long and cannot be traversed.

President.—Is it mainly that?

Mr. Shewell.—Yes.

President.—Mr. Roddick told us yesterday that they were making under-frames at Garden Reach and wagons at Jamshedpur. We did not ask him, unfortunately, the reason why they adopted that plan.

Mr. Balfour.—You asked whether the Indian Standard Wagon Company could build under-frames. We say that it could.

President.—There is no doubt it could,

Mr. Balfour.—Half of the equipment is suitable for building under-frames. It would mean that half the machinery would be idle while building under-frames.

President.—It has been so laid out and equipped that, with the unit of work of the size of wagon, you can keep the plant fully employed, but that, with the larger unit, it is not possible to do it.

Mr. Balfour.—We would not be able to use the full machinery.

Dr. Matthai.—It comes to this. Half of the equipment for wagons is equipment that would not be suitable for under-frames?

Mr. Balfour.—Yes.

Dr. Matthai.—Half is common to both?

Mr. Balfour.—Yes.

President.—As regards your proposed table of bounties, until we settle the tariff on steel, you cannot devise a scale of bounty for under-frames. The duty on steel might upset the whole thing.

As regards List No. 4 showing the materials purchased in India which, if imported, would not be subject to a protective duty, does that mean that you yourself manufacture vacuum brakes?

Mr. Shewell.—No, we don't.

President.—What exactly does vacuum brakework mean? It is a little puzzling. Is it, so to speak, the sort of equipment on to which the vacuum brake is fitted?

Mr. Shewell.—No, it is only the vacuum brake. We have included it here as we buy it locally. We have literally followed your headings.

President.—The word 'work' after brake has misled me. I thought that possibly you bought the material from somebody who manufactured locally.

Mr. Shewell.—Vacuum brakes are not manufactured out here to the best of my knowledge.

President.—Are they imported?

Mr. Shewell.—Yes. Strictly speaking, it should be under list No. 2 but we literally followed your headings.

President.—That clears that up. Then in the case of paints, they are locally manufactured?

Mr. Shewell.—Yes.

President.—What is the total weight of the material in an under-frame? The weight of the protected materials which you give comes to 15 tons.

Mr. Shewell.—Yes.

President.—That includes the wastage which in one sense is an under-frame and in another sense is not. Have you any idea of the total weight of the non-protected materials? The most important are the steel castings?

Mr. Shewell.—Yes. The only other item of weight which is of any importance is the bearing springs. Each weighs about 1½ cwts. The other items, which are pins and washers, are not of any importance.

President.—Would two or three tons cover everything else except the protected materials?

Mr. Shewell.—Much more than cover.

President.—Steel castings account for a ton and a half?

Mr. Shewell.—Yes, it would be between 2 and 3 tons including steel castings.

President.—Do you regard the latest tender of the East Indian Railway as showing distinctly keener competition for under-frames than you were accustomed to?

Mr. Shewell.—I do.

President.—The Railway Board gave figures for the previous tenders which were opened on 2nd January 1924, and on working that back exactly in the same way as in this statement, I find that the reduction in the f.o.b. cost is £57. The fall in the price of steel would account for something, but it won't account for all. Therefore, the comparison, as far as I can judge, supports the idea that British manufacturers are keener to get the orders for under-frames than they were.

As regards the bounty, what it comes to is this. On the Railway Board's figures, there is very little difference between your tender and the British tender. Practically, they are identical. You tendered at an actual loss, estimated at Rs. 275, and that, as nearly as I can make out, is equivalent to the protective duty. You have taken the protective duty on the materials, I think, as Rs. 481. The difference between the old duty and the new duty is Rs. 245.

Mr. Shewell.—Yes.

President.—The way I looked at it was this that, if the 10 per cent. duty were in force at present, all the tariff valuations would go down by about Rs. 2 per ton, on account of the fall in prices. The total weight is about 15 tons. I added another Rs. 30 to Rs. 245 which takes you to Rs. 275.

Mr. Balfour.—Yes.

Dr. Matthai.—With regard to the point raised by the President about the increased keenness of competition on the part of British firms, judging by the difference between the quotations now and before, it does seem to support the contention that there is increased anxiety on the part of British firms to get orders for under-frames. But the point on which I would like to have your opinion is this. We are now considering under-frames as the subject of a separate enquiry, and if we are going to consider protection for under-frames

as a separate thing, then we have got to make up our minds on this question. If the British firms are able to quote so low and thus have an advantage over you in regard to this, owing simply to the fact that the Engineering industry is in a very depressed condition everywhere, if that is the only circumstance, then, personally, I am doubtful whether we can make up our mind in favour of protection. To my mind, under-frames are a different proposition from wagons; one reason is that the demand is small compared to wagons, therefore, does not offer scope for the same amount of repetition work. That is a disadvantage, as far as the English firms are concerned. I admit you are at present in a position of disadvantage because the exchange is against you; there is also the question of the protective duties. But the question is one of relative advantage. You have got to balance one consideration against the other. You are here on the spot as a small industry compared with the British Engineering industry and, therefore, you can accept these smaller orders in a way that the British firms would not care to. There is that advantage on your side. Against that there is the adverse exchange and the question of the protective duties. If you balance one consideration against the other, would you be in a position to say that the British Engineering firms have any special advantage over you? If on a balance of these considerations you find that they have no special advantage over you, then all these present under-quotations simply mean general trade depression, and I am afraid we cannot tackle that general question. If it simply means that there is a general lack of orders, and that is driving English firms to make these low quotations, then it is not a matter which the Tariff Board can tackle, but, on the other hand, if you can show that they have an advantage over you then, of course, we are bound to look into it.

Mr. Shewell.—To my knowledge British firms have not got any special advantage in the manufacture of under-frames.

Dr. Matthai.—When you speak of the Wagon industry, that is a case for special assistance, but I feel a certain difficulty with regard to under-frames.

Mr. Shewell.—I am afraid I cannot establish that the British engineering firms have any special advantage over us with regard to under-frames.

President.—There is one point in that connection, and that is this, that owing to the inclusion of the East Indian and the Great Indian Peninsula Railways as State Railways, it is quite possible that orders placed at one time for under-frames by the Railway Board would be substantially larger than they used to be before. I gather from what the Railway Board tells us in their letter that the Company-managed railways have always made their own arrangements for obtaining coaching under-frames, that each Company acts on its own.

Dr. Matthai.—Even if the Railway Board placed all their orders for under-frames here, these would not exceed 500 or 600 a year or 1,000 in terms of wagons.

Mr. Shewell.—The total demand for under-frames is somewhere near 650 a year.

President.—It is admittedly smaller. Still an order for 500 under-frames might be quite attractive to a British firm.

Dr. Matthai.—That is quite true, but supposing you got adequate protection in respect of the Wagon industry then it does not seem to me that there is a case for protecting under-frames as such?

Mr. Shewell.—We look upon the two as separate industries.

Dr. Matthai.—That is to say, there is a separate kind of equipment, separate type of skilled labour required, separate type of material required and so on, is that what you mean?

Mr. Shewell.—I can't say that. Take, for example, the Indian Standard Wagon Company. They do not build under-frames.

Dr. Matthai.—You think the distinctive type of equipment for under-frames is such that you would be justified in calling it altogether a separate industry?

Mr. Shewell.—Under-frames are at present manufactured by Messrs. Burn and Company at their Howrah works, but they cannot be manufactured by the Indian Standard Wagon Company.

President.—But surely in Europe the same works will undertake the building of under-frames as well as wagons?

Mr. Shewell.—If it was so designed in the first instance.

President.—But surely would you not expect to find works in Europe where they make both wagons and under-frames? Are there separate works in Europe which manufacture only wagons and others which only manufacture under-frames?

Mr. Shewell.—I would not go so far as that.

President.—Then it is hardly a separate industry, I think.

Dr. Matthai.—If it cannot be established that this is a separate industry, then when you ask for protection for under-frames you are really asking for additional protection for wagons.

President.—The analogy I should put is this. When the Board originally considered the circumstances of the Steel industry at Jamshedpur, they proposed a certain rate of duty—on structural sections Rs. 30, on bars Rs. 40, on galvanised sheets Rs. 45 and so on. It is quite conceivable that the Board might have found that there was some particular line which did not require protection at all. But when circumstances have changed, it may mean that they would all have to move up a step. Applying that analogy I should be inclined to take up the position that under-frames are only a branch of the wagon building industry and that when the Board enquired last they considered that a certain amount of protection for wagons was required, but that no protection was required for under-frames. If circumstances have so changed now that additional protection is required for wagons, then it might well be that, for the first time, under-frames would also require protection. That is the way I was looking at it. After all the actual work that is done is the same kind of work?

Mr. Shewell.—Exactly the same.

President.—All the processes to which you subject the steel sections and so on are the same kind of process, and the man who is skilled in wagon building can make under-frames as well?

Mr. Shewell.—That is generally correct.

President.—In paragraph 5 of your representation dealing with wagons, you mention three things which place you at a disadvantage, one is protective duties, the second is the decline in the value (expressed in rupees) to the Home manufacturer of the wages and charges, and the third is the decrease in the *ad valorem* duty. As regards the protective duties, I don't think it can possibly be adduced as a reason for additional protection now. In the Board's scheme an allowance of Rs. 120 a wagon was made on account of the protective duties, whereas you give the protective duty on wagons as Rs. 103 a wagon. You will remember that on page 213 of the original Report on the Steel industry, calculations were worked out (mainly by Mr. Mather) by which he arrived at Rs. 110 as the maximum amount of duty required on materials for an A-1 type wagon. It was definitely taken into account at the time in settling the Board's proposals. For the present, the European manufacturer gains because the decline in sterling—as expressed in rupees—reduces his price to the extent of the wages and charges included in it. But how are the Board in any way to determine what that amount is? Can you suggest any means by which the Board can arrive at a figure, which anybody else would accept, for the European manufacturer's wages and charges? We spent a good deal of time over this last year.

Mr. Balfour.—We have worked it out on the same basis as last year taking £79.

President.—I was going to ask you where you got the figure of £92.5 from?

Mr. Balfour.—We have got it by going back to the 1913 figure. We assumed that as £79 (see page 328 of Volume II of original evidence). We took that as £79 and then we added 40 per cent. increase over pre-war wages, but in this instance we have added 45 per cent. In the Ministry of Labour Gazette (London) the rise is given as 45 per cent., that is how we have got it. If you turn to the evidence given by the Chief Commissioner for Railways, you will find that he put it down at £100.

President.—The final impression left in my mind was that nobody knew it. The question is ambiguous. You have got to define first how much fabrication is going to be done at the works. Some firms purchase material at certain stages of manufacture, others at different stages, so it becomes almost impossible to get a definite figure. I don't believe myself that on these lines we shall arrive at anything. Even if we satisfied ourselves, we should never be able to convince others. What I was going to suggest was that it would be convenient if you could prepare a statement for wagons very much on the lines of what we have asked you to do for under-frames, that is, take your existing cost and then convert it back to the 1s. 4d. exchange and the old 10 per cent. duty.

Dr. Matthai.—Can you tell me how you got this figure of £177?

Mr. Shewell.—That is taken from the Indian Trade Journal—£187 less £3-10-0. That is for the A-1 wagon.

President.—What I want is the same kind of calculation that you made for under-frames, that is to say, how it works out with the exchange at 1s. 4d. and the old 10 per cent. duty.

Mr. Shewell.—We will let you have it.*

President.—In paragraph 10 of your representation you have given the terms of payment for the wagons ordered in February last. Can you tell me, both for the Indian Standard Wagon Company and Messrs. Burn and Company, Limited, how many wagons would become entitled to the higher price according to the orders placed in July or August last? You were to get a higher price for the lot that you completed before the end of March, and a lower price for wagons completed after the end of March. Did the Railway Board inform you what the amount of the bounty was? What was the figure they gave you?

Mr. Shewell.—Rs. 800.

President.—That was for those completed before the 31st March?

Mr. Shewell.—Yes.

President.—And how much after the 31st March?

Mr. Shewell.—Rs. 300.

President.—The only difficulty about that is that the difference between price is Rs. 550 in one case and Rs. 450 in the other, so that Rs. 800 and Rs. 300 must be wrong in both cases. The only assumption I can make is that they took an average, so I suppose one must take it on the basis on Rs. 550 in one case and Rs. 450 in the other.

Mr. Shewell.—We had no further information about that.

President.—How many wagons did you get the higher bounty on?

Mr. Shewell.—Messrs. Burn and Company promised to do 180 and they did 132. The Indian Standard Wagon Company promised 230 and they actually did 230.

President.—And they were actually paid at a higher rate for 230?

Mr. Shewell.—Yes.

President.—Let us see what that would amount to from the Railway Board's figures. Burn and Company—418 left to be completed and paid for, and the Indian Standard Wagon Company—1,020. That amounts to Rs. 4,31,400 roughly, taking the Railway Board's figure at 300. If you take

*See Statement II.

Jessops, that might take us up to Rs. 5 lakhs. I don't know what they have done with the remaining Rs. 2 lakhs.

Mr. Shewell.—Orders for a certain number were placed with the Peninsular Locomotive Company. I think the Railway Board called for 550.

President.—If they placed orders for the full number I think they would not be able to pay for them in 1925-26. They might be able to pay the greater part of it but not the whole of it. There is a doubt there. For an A-1 wagon the Metropolitan Carriage Wagon and Finance Company, Limited, have quoted £177 and for A-2 £183-10-0. That is their price for the A-2 wagon.

Mr. Shewell.—I think so.

President.—Part of the order for A-2 wagons has been given to them but not the whole of it, and that is the reason why I cannot get the figure. You make a suggestion in paragraph 10 of your letter for an alteration as to the terms of payment, and say that in order to equalise the condition between yourselves and the British manufacturer, payment should be made of 60 per cent. of value of each wagon when the under-frame is completed, and the balance when wagon is delivered *ex-works*. I am afraid that is an aspect of the case which is not strictly within our purview. What it comes to is this, that under the conditions under which the Government of India are purchasing in Europe, they lose interest on the purchase price of the wagon for the 10 weeks more or less. That was what was the time given by the President of the Railway Board last year as the period intervening between shipment and the completion of erection in India. Whatever the period the Government of India are losing interest on the payment as compared with their purchases from the Indian manufacturer. It might be argued that that interest should be added to the cost of the British wagon in comparing prices, but I don't know that there is a very great deal in it and I am very doubtful whether there is any case. What do you think about it yourself? Does not that really cover all that is required to adjust?

Mr. Shewell.—That is so.

President.—I don't think the amount is a formidable one and I am afraid the reply of the Railway Board will certainly be that when they place orders for wagons in India, it takes a very long time to get them. In the one case they lose interest, and in the other they cannot get the wagons. About the delay in the delivery of wagons in India, I would rather like to hear what you have got to say. As regards these wagons that were ordered last July, how many of them have been delivered up to date?

Mr. Shewell.—We have given you that. Messrs. Burn and Company—344.

President.—Are they all broad gauge wagons under this order?

Mr. Shewell.—Yes, of the 550 bounty wagons we have completed up to the end of June 344 wagons.

President.—When do you expect to complete the others?

Mr. Shewell.—We will complete the whole lot in September.

President.—That means just over a year to complete the order. Do you regard that as normal?

Mr. Shewell.—It is not very fast, I admit. On the other hand, I understand, the contracts run to the end of the financial year 1925-26.

President.—What about the Standard Wagon Company?

Mr. Balfour.—They have completed 670 of their 1,250 wagons.

President.—When will the balance be completed?

Mr. Balfour.—In October. Then we will go on to the new order.

President.—If your complaint is that the British manufacturer gets his payment sooner than you do, there may be the opposite point to set off against that. If the Government of India place their order for wagons with the British manufacturers, they get quicker delivery. According to the terms of some of the tenders, they have asked for much more rapid delivery than that.

Mr. Shewell.—They have promised much quicker delivery.

President.—500 wagons would not take a very long time.

Mr. Shewell.—To the best of our knowledge they require these wagons during the year 1925-26. We were not told they would want them in three or six months.

President.—In Statement No. III there are one or two small points. The summary does not really show how things have changed since the Board's recommendations were originally made. Apparently, you arrived at the price of the Indian wagon and the Home quotation, and you then endeavoured to account for the difference between these two figures. I don't think it is an altogether successful calculation. For instance, you cannot add "the loss of our former protection," because it already is in the Customs duty. However, that is a very small point. Does this statement mean that, as things now are, with the exchange at 1s. 6d. and the protective duty, the difference between your cost and the probable British tender is Rs. 870? Is that the inference you want the Board to draw from it?

Mr. Balfour.—Yes, assuming a profit of Rs. 87.

President.—It is for you to say. You have given us the outlines of a large scheme of protection, but taking it under a narrower basis—which, I am afraid, you must take it—as to the additional amount that is required besides the Rs. 7 lakhs provided by the Act how much do you require per wagon? You have not made it quite clear what exactly you are asking for?

Mr. Balfour.—We have made a comparison of prices in Statement No. 4 showing our prices and the lowest Home quotation.

President.—It does not quite give it. It varies from Rs. 700 to Rs. 900. Are you asking the Board to make these figures as the basis of their recommendation?

Mr. Balfour.—We have only taken the lowest Home tender and our quotation and tabulated the result. It is left to the Board to make any recommendation they like.

President.—It is for you to tell me. You have not told me yet. Therefore, I must ask you to tell me what is the object of putting these figures in.

Mr. Shewell.—Sheet No. 4 actually indicates what protection we require.

President.—What it comes to is this. According to the Board's original Report, roughly about Rs. 700 a wagon was suggested for the second year. I don't want to rush you into an answer about it. I must put the question, because it would be hardly fair, without giving you an opportunity to say what you want to say, to utilise the figures in a particular way. Assuming that there is no correction to be made in any of these figures on the basis of the information supplied by the Railway Board, it is only a question of few rupees. But I think it would be advisable for you to tell us what your suggestion is as regards the amount that you require per wagon.

Mr. Balfour.—This is the only time we actually got figures from the Railway Board. There is a point with regard to C-2 wagons.

President.—The order placed with the Standard Wagon Company was for C-2 wagon.

Mr. Balfour.—The last order they got for 425 wagons. There was a bounty of Rs. 700 per wagon. According to the figures down there, it actually comes to Rs. 588.

President.—Let us look at the Railway Board's letter. The lowest foreign tender from Czecho Slovakia was Rs. 3,101. That is the figure they have given for C-2 wagons.

Mr. Balfour.—We took the figure £180 and we deducted £3-10-0 which is the amount of reduction made by the Metropolitan Wagon Works provided the whole order was placed with them. That brought the figure to £176-10-0 and we worked from that figure.

President.—The Railway Board have sent us here a statement of the wagon tenders, three lowest British tenders and three lowest Continental tenders. The lowest British tender was Rs. 3,264. That was not accepted. The lowest tender from Czecho Slovakia was Rs. 3,101. That was for C-2 wagons.

Mr. Balfour.—The lowest British tender is £180 less £3-10-0.

President.—Can you give me the page?

Mr. Shewell.—Page 91 of the Indian Trade Journal.

President.—The lowest tender there is £165.

Mr. Balfour.—They have taken that figure?

President.—Yes. You must have seen from the note that several orders are placed in the Continent.

Mr. Balfour.—We were just comparing the Home figure and the order placed with the Indian Standard Wagon Company.

President.—In the statement showing the comparison of the cost of material in 1923—1925 attached to your letter, the cost of steel castings for 1925 is shown as higher than in 1923. Is there any special reason for that? Everything else has come down.

Mr. Balfour.—I think that sole bar stiffeners are not included in the 1925 figures. There is a slight increase in the weight.

President.—It is quite comparable then?

Mr. Balfour.—Yes.

President.—The only item that has gone up is steel castings?

Mr. Balfour.—Yes.

President.—In the case of both the A-1 wagon and A-2 wagon, I endeavoured to see how the f.o.b. prices had changed between 1924 and 1925. The January 1924 figures were before the Board when they made their original recommendations, and the 1925 figures give the most recent information about prices. The Railway Board have supplied us figures as to freight and insurance and so on and also as to the figure they have taken for the cost of erection. I worked back and found that whereas in January 1925 A-1 wagon was £177, in January 1924 it was £184. The fall in the f.o.b. sterling price is £7. That is not abnormal. Indeed it might have been a little more. How many tons of ordinary steel is there in a wagon?

Mr. Shewell.—About 5 tons.

President.—If you take the fall in the price of steel, it works out to £7. There is no more than that.

Mr. Shewell.—No.

President.—Similarly in the case of A-2 wagon I did the same calculation. It is a little more difficult, because the weight is not the same and the freight and insurance will not be the same. Roughly, it has gone down from £198 to £186. Probably both these figures are too high. There is a difference of about £12. The point I want really to bring out is, as far as can be seen from these figures, that competition for wagon orders is no keener now than it was when the Board originally reported. It could hardly be, considering the remarkable price in 1922.

Mr. Shewell.—We still contend that they are under their cost.

President.—You contended that all along. But the question is that they are no more under their costs now than they were two or three years ago. A price of £171 was quoted for an A-1 wagon at the end of 1922. The sterling price is slightly higher now.

Mr. Shewell.—Yes.

President.—About this figure of Rs. 365 which is the cost of erection, I had better tell you exactly what the Railway Board say.

Mr. Shewell.—That is for under-frames?

President.—Yes. The Railway Board's figure for wagons was fully brought out in our first enquiry. What they say now is:

"It is regretted that the details of the estimated cost of erection, on the lines of the Statement printed at page 312 of Volume III of the evidence taken by the Tariff Board in their first Steel Enquiry, which is also asked for in paragraph 3 of your letter, are not available in connection with coaching under-frames. Recently, however, the Railway Board obtained from some broad gauge Railways statements showing the charges incurred on erection, etc., in India in the case of imported 67' 0" broad gauge coaching under-frames, with bogies, to the Indian Railway Conference Association standard design. An abstract of the information is enclosed."

The figure they actually took for comparison in the case of this recent tender is Rs. 365. The figures given by the various Railways are as follows:—

	Rs.
North Western Railway	217
East Indian Railway	200
Madras and Southern Mahratta Railway	113
Eastern Bengal Railway	222
Oudh and Rohilkhund Railway	121

As regards the two lowest figures Rs. 113 and Rs. 121, the Railway Board remark that these figures are remarkably low.

Mr. Shewell.—They are.

President.—I would like to have your opinion about Rs. 365 as being the cost of erecting an under-frame.

Mr. Shewell.—We have no definite information regarding that. We say in paragraph 7 of our representation that the erection cost is Rs. 350.

President.—Do you consider this figure of Rs. 365 as a reasonable figure for the Railway Board to allow in comparing prices?

Mr. Shewell.—Yes, we do. We thought Rs. 350 was reasonable for the East Indian Railway.

President.—You assemble under-frames for the East Indian Railway?

Mr. Shewell.—No. We consider that a reasonable figure for the East Indian Railway on the ground that their under-frames are brought out in very large pieces.

President.—Do you regard that as reasonable for the East Indian Railway?

Mr. Shewell.—We do.

President.—There are other Railways in which you would not regard this figure as reasonable?

Mr. Shewell.—Other Railways bring out under-frames in much smaller pieces.

Dr. Matthai.—The East Indian Railway costs are supposed to be lower than others?

Mr. Shewell.—Yes.

President.—The point raised by Mr. Roddick was that the figure given for a wagon in Mr. Hindley's evidence last year was Rs. 325. His argument was that, if Rs. 325 was right for a wagon, Rs. 365 would not possibly be right for an under-frame, unless they came out largely rivetted up. To my mind, the most important point about that particular item is that the Railway Board should come to a distinct conclusion and publish it; otherwise, there is a great deal of doubt as to what is going to happen.

Witness No. 5.

**THE PENINSULAR LOCOMOTIVE COMPANY, LIMITED,
BOMBAY.**

WRITTEN.

Representation, dated the 8th August 1925.

Referring to your letter No. 317, dated 2nd July 1925, we beg to send herewith a written statement of the views of our Company on the question of protection for the wagon manufacturing industry in India.

We regret the delay in sending this statement in, which is due to the fact that it was necessary for us to get the general approval of some of our Directors in the United Kingdom before the statement was sent.

We regret our inability to tender oral evidence in support of this, but if there are any specific points, on which the Board desires information, we should be very glad to send that information. We understand that other firms in the trade have taken full opportunity of apprising the Board with details, which would not be materially different for our Company.

Enclosure.

Representation.

The adequacy or otherwise of the protection accorded for the manufacture of wagons in India can be examined from two points:—

1. Consequential from the Steel Industry (Protection) Act.
2. As an important railway industry, which the Government are bound to assist in accordance with the assurance contained in their communiqué, dated 1st March 1918, and the general tenor of discussion leading up to the sanction by the Assembly of the capital expenditure of 150 crores of rupees, the examination of the question by the Railway Industries Committee and the general assurance at the time of the separation of the railway finance from general finance of the country.

In regard to No. 1 the causes, which influenced the Tariff Board in making the second report for additional tariffs, which were accepted by the Government of India, who, however, decided to assist the steel industry by additional bounties, operated in the case of the wagon industry just as much as for the manufacture of steel. The principal cause was the fall of prices of steel on the Continent, the efforts of the Continent to produce steel of British specification and the rise of the Indian exchange beyond the ratio of 1s. 4d., which was throughout assumed in the discussions of the first report. In spite of the fact that these causes operated just as much in the absence of any definite decision of the Government or legislative sanction, the Railway Board was obliged to the old practice and the orders, which have been placed as the result of tenders which were returnable on January 13, 1925, are on a basis which is unfair if the condition of the Indian wagon industry were properly examined and if allowance were made for the above causes. The orders have, however, actually come to be placed on account of the fear of tendering companies, whose plant is specially adapted for the purpose of wagons, that they will be left out, if they did not tender on the basis of English price. Speaking for our firm the tender was based entirely on calculations from British prices and it was constructed regardless of the factor of profit, the limit of lower quotation being found only in the fact that the loss from closing down would be greater than any possible loss which may be incurred from a lower quotation.

The Tariff Board in their original report recommended that the Railway Board should mention on how many wagons bounties will be attached. It will be noticed that no such declaration has been made. Not only that, but it has never been indicated what the amount of bounty on each wagon actually is. The Tariff Board found that a difference of Rs. 800 per wagon was wanted to bridge the gulf between the English and the Indian price. Other things remaining the same, a smaller difference would be turned by a wagon company into loss on each wagon, which would be greater when they take a larger order. We do not know of any factor which has gone to reduce the Indian costs, except the conversion into rupees at a higher rate of exchange on the parts which are imported from the United Kingdom. Against this must be put the disadvantage of conversion at a higher rate of exchange for the full English f.o.b. price for an English wagon.

There is a provision in the Indian Steel Industry (Protection) Act that a substantial part of the manufacture should be done in this country. This provision is vague and, while considerable vigilance is exercised in this matter by the Indian Stores Department, it still leaves open important issues to executive discretion. The fact that there is an advantage on imported parts and equipment on account of the higher exchange would have the tendency to increase the number and amount of imported parts. The Indian wagon manufacturer is, therefore, put into the difficult position of being called upon by the Indian Stores Department and the railway administration to do a substantial part of the manufacture in this country. The wagon manufacturer would naturally want to do this in order to spread out his overhead cost over as larger amount as possible. But the difficulty would arise when an English quotation is actually lower than the costs in India for any of the parts or equipment of the wagon manufacture. We can only illustrate this case from our experience that a particular firm offered to make axle-boxes in India and the quotation that we received for this equipment from the United Kingdom when conveyed to these people was found to be actually lower than their cost. This only substantiates the principle, which the Tariff Board have laid down over and over again, that protection as given by the State should be effective and that partial protection not only does no good, but might mean a burden on the State without leading to the establishment of a healthy industry, which can hold its own in the long run.

No account appears to have been taken of the fact that an English competitor of an Indian wagon manufacturer receives his money as soon as he has put the goods alongside the quay. This involves a minimum period of three months but in practice about six months before the same wagon runs away on wheels and is put into the wagon pool. Further the saving of interest and facility for finance, which this involves, encourages English competition in the Indian market for wagons. The price of unfabricated steel, in which is reckoned every description of extra for sections or class steel, has not materially fallen and is much higher than the English price at the ports. This item alone would justify a bounty on the basis of a specific calculation on each wagon on order in India. The system of issuing railway material certificates for securing cheaper freight for parts in India, which go into the manufacture of wagons, is at present loose. The practice varies with different railways and there is no definite procedure. It is a matter of some importance for a works like ours located inland, which has to import numerous parts from abroad and which, in order to effect timely deliveries as well as relief to the other Engineering works, has to put some contract for several items like forgings in Calcutta, and elsewhere. A uniform practice of this kind would place all works in the same position and also reduce the disparity between English and Indian prices and on account of the competition between the different wagon works would bring back this money to the railways in a reduced tender on the next occasion.

The withdrawal of the communiqué by the Railway Board immediately after the Tariff Board's first report and after the passing of the Steel Industry (Protection) Act has left the wagon industry at the mercy of passing circumstances without any definite declaration of policy. No information as to

number of wagons, which the railways require from time to time, is available. A guaranteed continuity of orders, if possible of the same type, at prices which would be subject to some kind of schedule, has been asked for by the wagon trade, but the demand has not been approved. A nucleus of labour and plant brought together and kept for mass production to the utmost state of efficiency involves in a system of annual tender undue anxiety on the part of wagon concerns not to be left out and hence an unfair rate-cutting, which would ultimately reduce the competition by the removal of one or more concerns and would permanently discourage larger investment of capital in railway industries. Not only this but the time, at which tenders are called for, is somewhat inconvenient. If tenders are called in January and the orders are actually placed some considerable time after tenders are returned, no work can be actually started on such orders till two or three months after the orders are received, because the necessary sections of raw materials may not be always available at hand and if they are purchased in India, the Steel Company require some notice to be able to roll them. Also in the matter of class steel the same difficulty is in practice even more serious. For imported parts orders have to be negotiated in the first instance and then placed with manufacturers in the United Kingdom, who take their own time, and with the very best efforts cannot be hustled into deliveries earlier than about six to eight weeks after the order and in any case this material is not available for about three months or more. This involves a miscalculation as to deliveries, which is only bearable, because the Railway Board have been good enough not to interpret with undue severity penalty clauses in connection with deliveries. But it is one of those matters, on which an earlier estimate as to requirements and an earlier call for tenders would give facilities to both sides.

It is understood that the Railway Board are making some kind of estimate as to the output of different works in India and are arranging to order the surplus from the United Kingdom or elsewhere. It would be to the interests of the wagon works and in the long run to the interests of railways themselves if the wagon companies were informed as to the railway requirements and were asked whether they were prepared to and in a position to extend their shops or by double shift to tackle a larger quantity. Many shops would be able to increase their output particularly as it is possible to put out a certain amount of work on sub-contract with general engineering firms in Calcutta, who are only too glad to receive orders. There would be no difficulty on the score of quality, because the inspection in India has been regarded by some people as much more rigorous than the inspection on imported wagons. We are able to say that the inspection starts at the very beginning and the eye of the inspector is on the work throughout the processes right until the final stage when he is called upon to certify about the completion.

Amongst other difficulties, which we would desire to bring to the notice of the Tariff Board, is the one of payments. In order to ensure delivery various imported parts have to be ordered months ahead. They have to be paid for a long time before the money is actually received on completion of the work. We are informed that various wagon companies did approach the Government of India for simplification of the rules of payment and particularly for an advance on materials at factory site, but Government of India have kept to the rule of payment of 90 per cent. against completion certificates by the inspection department. We have no desire to criticise the justice or otherwise of this rule, but would only point out that the Indian manufacturers suffer in comparison with the foreign competitor who is paid months earlier simply because of the accident of location and splitting up the work, the final erection taking place in India. This could be only put right if the Railway Board decided to call rupee tenders for all their requirements, the quotation being for delivery in India.

In the first Report of the Tariff Board an elaborate enquiry was made on the basis of complaints, which were then justified and which were also considered by the Railway Industries Committee, viz., that the basis of price comparison between the imported article and that locally manufactured was not just. The complaint was then made that a sufficient amount of money was not added to the f.o.b. English price. In respect of freights it was alleged

that special rebates were being given on Government tariffs. In respect of duty the practice was not uniform. In respect of erecting labour the practice of different railways varied and it is not known whether the figure finally fixed upon now covers legitimate charges everywhere, including the overhead charges for railway workshops, which superintend the work of erection if done departmentally, or call for the necessary tender and effect the necessary arrangements for getting it done. Amongst the other elements making up the differential cost of Rs. 800 per wagon was the cost of steel. With the higher cost of steel to the Indian manufacturer we are inclined to think that if the figure, at which the English manufacturer can buy his unfabricated steel, were converted into rupees at the current rate of exchange, the difference to be allowed for in respect of higher cost of steel would not be less to-day, but more.

In the case of the Peninsular Locomotive Company the peculiarity of the situation needs some explaining. The attempt of the Company to secure locomotive orders after the first report of the Tariff Board came to nothing, and as the result of negotiations with Government it was suggested that if the Company were prepared to turn their works to the manufacture of wagons, the Railway Board were prepared to give them an order for five hundred wagons at the lowest Indian price tendered and thereafter to recognise them as wagon manufacturers entitled to tender under the bounty scheme. Such conversion involved considerable additional outlay for plant and a certain amount of re-arrangement of the works, but it has also brought about the serious disadvantage that considerable amount of plant and equipment and buildings, which were specially suitable for the manufacture of locomotive parts, are lying idle. For this portion of the works the Company is incurring a loss, which can only be made good on orders being received for heavier items like underframes and ultimately for locomotives. The Company desire to say nothing to the Tariff Board about locomotives, because they are not included in their enquiry, but will point out that the estimate, which was given by the Chief Commissioner for Railways as to the requirements of State Railways in the matter of locomotives, has been exceeded and, provided the wagon orders continue, the Company would be in a position to manufacture a small number of locomotives if an order were placed with them. It may be mentioned that the bulk of the staff at present employed are men used to locomotive work, who bring very special kind of experience towards that end. The amount of bounty or subsidy, which it would have been found necessary to pay per locomotive under the old conditions, would therefore not be there and it may be possible for the Company to undertake the manufacture at competitive prices, allowance being made for the higher price of unfabricated steel in India and of the conversion of English prices at the rate of 1s. 4d.

Witness No. 6.

RAILWAY BOARD.

WRITTEN.

Letter dated the 21st July 1925.

I am directed to acknowledge receipt of your letter No. 327, dated the 4th July 1925, and to say that the delay in replying thereto, which is due to the volume of work entailed in collecting the required information, is regretted. Even now the Railway Board are unable to supply all the information required by the Tariff Board, but whatever it has been possible to collect is sent herewith.

2. With reference to paragraph 2 of your letter, I am to say that information is not available in connection with items 4 and 5 therein, as in the case of coaching underframes it has not been the practice to call for simultaneous tenders in India and abroad, but tenders have been called for in India only and these have been compared with quotations for similar underframes obtained from the Director-General, India Store Department, by cable. In such cases, he merely cabled one figure on each occasion, which presumably was that of the lowest satisfactory tender in London.

3. Statement "A," enclosed herewith, contains such information as is available in connection with tenders invited and orders placed in India for coaching underframes for State-worked Railways since 1st April 1922. I am to explain that Company-worked Railways have invariably made their own arrangements for obtaining coaching underframes, and the Board have no information as to where or at what price they have obtained them.

4. Statement "B" contains details of the cost of imported underframes in the case of the recent order for 150 underframes for the East Indian Railway. It is regretted that the details of the estimated cost of erection, on the lines of the statement printed at page 312 of Volume III of the evidence taken by the Tariff Board in their first Steel Enquiry, which is also asked for in paragraph 3 of your letter, are not available in connection with coaching underframes. Recently, however, the Railway Board obtained from some Broad Gauge Railways statements showing the charges incurred on erection, etc., in India in the case of imported 67'-0" Broad Gauge coaching underframes, with bogies, to the Indian Railway Conference Association standard design. An abstract of the information so collected is enclosed as Statement "C" and may be useful to the Tariff Board in their enquiry.

5. As regards the request contained in paragraph 4 of your letter, I am to enclose herewith Statement "D," showing the number of new bogie coaches built or to be built by the important Indian Railways (5'-6" and Metro Gauges) during the years 1922-23 to 1925-26. Information for 1926-27 is not yet available as the rolling stock programmes for that year are still under consideration. A certain number of these coaches were probably built on second-hand underframes released from old stock that were being replaced, but details in that connection are not available and it is not known what exact numbers of new bogie underframes have been or will be ordered during the period in question. As already stated above, Company-worked Railways have been making their own arrangements for obtaining such underframes and very little is known in this office regarding the numbers of new underframes obtained by them. Such information as is available regarding State-worked Railways has already been included in Statement "A," except that it may be mentioned for the Tariff Board's information that the total requirements in respect of bogie coaching underframes for State-worked Railways during 1925-26 amounted to 509 Broad Gauge bogie underframes, of which 150 were reserved for placing orders in India and are now being ordered from Messrs. Burn & Co., and the Railways concerned were instructed

to obtain the balance of their requirements through the Director-General, India Store Department, London.

6. As desired in paragraph 5 of your letter, a Statement " E " is enclosed herewith, showing the tenders received and orders placed for railway wagons since 1st January 1924. This statement includes only those standard wagons which were required by State-worked Railways or which Company-worked Railways agreed to include in the Railway Board's simultaneous calls for tenders in India and abroad. In this connection it has been possible to give full details, as required by the Tariff Board, regarding the tenders received from abroad, as these tenders were actually received in this office and have been available for the preparation of the statements in question.

7. In conclusion I am to say that the Railway Board do not desire to give oral evidence in connection with the Tariff Board's Enquiry regarding the necessity for affording protection to the underframe-building industry, or additional protection for the wagon-building industry, unless the Tariff Board consider that such oral evidence by the Railway Board is necessary after they have heard the evidence of the firms concerned.

Enclosure I.

1925-26.

Statement showing the tenders received and orders placed for certain Broad and Metre Gauge Indian Railway Conference Association types of wagons required by Railways during the year 1925-26.

Date of opening the tenders.	Types for which tenders were sent in.	Number of wagons to be ordered as stated in the call for tenders.	THREE LOWEST BRITISH TENDERS.			THREE LOWEST CONTINENTAL OR AMERICAN TENDERS AND THE COUNTRIES FROM WHICH THEY WERE SENT IN.						INDIAN TENDERS AND THE NAME OF FIRMS TENDERING.				THE PRICES AT WHICH THE ORDERS WERE PLACED AND THE NAME OF THE FIRMS TO WHICH IT WAS GIVEN.	
			1	2	3	1		2		3		Peninsular Loco Co.	Jessop & Co.	Burn & Co.	I. S. W. Co.	Price.	Name of firm.
						Price.	Country.	Price.	Country.	Price.	Country.						
13th January 1925.	Broad Gauge. A 1	170	Rs. 3,286	Rs. 3,293	Rs. 3,502	Rs. 3,498	German	Rs. 3,539	German	Rs. 3,628	German	Rs. 4,025	Rs. 3,997	Rs. 4,100	Rs. 4,100	(e) 3,241 5 4	Metropolitan Carr. Wagon & Finance Co., Ltd.
	A 2	515	3,416	3,572	3,587	3,593	Do.	3,691	Do.	3,758	Do.	3,898	4,444-8	4,100	4,150	(e) 3,363 10 0 (a) 3,898 0 0	Ditto. Peninsular Loco Co., Ltd.
	A 3	245	3,619	3,841	5,165	3,976	Do.	3,990	Do.	4,005	Dutch	No quotation.	4,594	4,360	4,360	(c) 3,566 8 7	Metropolitan Carr. Wagon & Finance Co., Ltd.
	C 2	425 (300+115)	3,264	3,325	3,419	3,101	Czecho-Slovakia	3,292	Do.	3,340	Do.	3,805	4,354	No quotation.	3,835	(b) 3,800 0 0	Indian Standard Wagon Co.
	C 3	115	3,350	3,481	3,529	3,228	German	3,320	Do.	3,336	German	4,345	4,460	Do.	No quotation.	(c) 3,298 0 0	Metropolitan Carr. Wagon & Finance Co., Ltd.
	B 1	254	3,551	3,835	3,863	3,684	Dutch	3,685	Do.	3,772	Do.	No quotation.	No quotation.	4,587	Do.	(c) 3,498 10 0	Do.
	J 1	10	6,063	6,316	6,330	4,084	German	4,575	Do.	4,634	Do.	8,180	Do.	No quotation.	Do.	....	..
	BA 1	40	8,250	8,432	8,510	7,833	Do.	8,289	Do.	9,033	Do.	10,750	Do.	Do.	Do.	....	..
	BC 1	16	8,191	8,262	8,284	7,473	Do.	7,771	Do.	8,366	Do.	11,250	Do.	Do.	Do.	....	..
	BD 1	13	7,719	7,847	7,857	7,183	Do.	7,302	Do.	7,332	Do.	9,615	Do.	Do.	Do.	....	..
Metre Gauge.																	
	MA 1	78	2,365	2,434	2,707	2,287	Czecho-Slovakia	2,355	Do.	2,369	Do.	3,610	Do.	Do.	Do.	2,287 0 0	Ringhoffer.
	MC 1	83	2,223	2,240	2,253	2,014	Do.	2,156	Do.	2,163	Do.	3,385	Do.	Do.	Do.	2,014 0 0	Do.
	MBC 2	110	4,884	4,967	4,994	4,200	German	4,937	Do.	4,959	Do.	No quotation.	Do.	Do.	Do.	....	..

REMARKS. (a) This includes a bounty of Rs. 475 per wagon. The rate of bounty was based on the difference of lowest Indian tender and the lowest foreign tender, i.e., Rs. 3,898—3416=482, or Rs. 475 rounded off.

(b) The tender received from the Indian Standard Wagon Company was not accepted but the Company were subsequently offered and accepted an order for C2 wagons at Rs. 3,800 per wagon. This price includes a bounty of Rs. 700 per wagon and was based on the difference of the price offered and the lowest foreign tender (Rs. 3,800—3,101) 699 or Rs. 700 rounded off.

(c) The prices at which orders have been placed with the Metropolitan Company are lower than the quotations for each type submitted by the Company. The reason for lower prices is that this Company, when submitting the tenders had offered a further lump sum reduction of ₹15,000 provided full quantity ordered from them and smaller lump sum reduction if substantial quantity less than the whole was ordered from them. The accepted prices, therefore, include a proportionate share of lump sum reduction accepted on orders placed for B. G. Wagons.

NOTE I.—The prices in the statement, are only basic. The actual prices at which contracts have been placed by each Railway concerned, include slight variations on account of certain details such as provision of wheels and axles, door arrestors, etc., etc., to suit the requirements of individual Railways.

NOTE II.—The demand for B.A.1, B.C.1 and B.D.1 types of wagons were cancelled subsequent to the call for tenders and no orders were placed for these types.

NOTE III.—No order was placed on the original tender for J1 type wagons on account of some modifications in the design having been found necessary and the period for which the original tenders held good having expired before orders could be placed.

NOTE IV.—The rate of exchange adopted for purposes of comparison of foreign prices with those quoted by the Indian firms was 1s. 6d to the rupee, which was the rate prevailing at the time the tenders were opened.

STATEMENT A.

Statement showing the prices tendered for the construction of underframes on the various occasions since the 1st of April 1922.

Names of Railways calling for tenders.	Date of opening the tenders.	Types of which tenders were sent in.	Number of underframes to be ordered as stated in the call for tenders.	F. O. B. * Price obtained from D. G. I. S. Department by cable plus freight duty and other incidental charges.	INDIAN TENDERS AND THE NAME OF FIRMS TENDERING.			THE PRICE AT WHICH THE ORDERS WERE PLACED AND THE NAMES OF THE FIRMS TO WHICH IT WAS GIVEN.		REMARKS.
					Jessop & Co.	Burn & Co.	Indian Standard Wagon Co.	Price.	Name of firms.	
				Rs.	Rs.	Rs.	Rs.	Rs.		
								1922-23.		
N. W.	31st January 1922	I. R. C. A. 67' 0"	4 B. G.	10,945	17,452	12,655	12,655	..	Indent on D. G. of Stores.	An offer was made to firms and they refused the fixed price of Rs. 10,945 of the English quotation which was the c.i.f. price and in cluded duty and cost of erection.
E. B.	31st January 1922	67' 0"	10 B. G.	10,945	17,452	12,655	12,655	..	Ditto.	Ditto ditto.
O. & R.	Ditto	67' 0"	9 B. G.	10,945	17,452	12,655	12,655	..	Ditto.	Ditto ditto.
		<i>Metre Gauge.</i>								
E. B.	Ditto	55' 0"	20 M. G.	7,850	16,981	8,700	8,700	8,700	10 Burn & Co. 10 I. S. W. Co.	
								1923-24.		
N. W.	January 1923	67' 0"	103 B. G.	11,385	13,851	11,350	..	11,350	33 Burn & Co. up to capacity of shops. 70 on indent from D. G. of Stores owing to serious delays in delivery by Indian firms.	
E. R.	Ditto	67' 0"	80 B. G.	11,385	14,815	12,080	..	..	Indent on D. G. of Stores owing to serious delays in delivery by Indian firms.	
O. & R.	Ditto	..	33 B. G.	11,385	14,565	12,080	..	..	Ditto.	
		<i>Metre Gauge.</i>								
E. B.	Ditto	55' 0"	5 M. G.	9,270	..	8,664	..	..	Ditto.	

* The Railway Board did not issue a combined call in India and abroad for underframes but Railways were instructed to call for tenders in India for their requirements and to obtain information regarding English prices from D. G. of Stores for purposes of comparison.

STATEMENT A—contd.

Statement showing the prices tendered for the construction of underframes on the various occasions since the 1st of April 1922—contd.

Names of Railways inviting tenders.	Date of opening the tenders.	Types of which tenders were sent in.	Number of underframes to be ordered as stated in the call for tenders.	F. O. B. price obtained from D. G. by cable, plus freight, duty, cost of erection, etc.	INDIAN TENDERS AND THE NAMES OF FIRMS TENDERING.				THE PRICE AT WHICH THE ORDERS WERE PLACED AND THE NAME OF THE FIRM TO WHICH IT WAS GIVEN.		REMARKS.
					Peninsular Loco. Coy.	Jessop & Co.	Burn & Co.	John King & Co.	Price.	Name of firm.	
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
	1924-25.							1924-25.			
Q. & R. Railway	2nd January 1924	I. R. C. A. 67' 0"	53 B. G.	11,586	..	11,400	11,250	..	11,250	Burn & Co.	
E. B. Railway	Ditto	67' 0"	53 B. G.	11,586	..	11,350	11,250	17,780	11,250	Ditto.	
N. W. Railway	Ditto	67' 0"	85 B. G.	11,586	..	11,500	11,500	17,780	11,250	Jessop & Co.	An offer of Rs. 11,250 was made and accepted by the firm.
	1925-26.							1925-26.			
E. I. Railway	1st June 1925	67' 0"	150 B. G.	10,480 (does not include price of lighting equipment). @ 1s. 4d. to the rupee.	25 @ 14,115	110 @ 12,181	18 @ 9,301 (does not include the price of handbrake). 13 @ 9,659 (does include the price of handbrake). 119 @ 9,095 (does not include the price of handbrake and lighting equipment). @ 1s. 4d. to the rupee.	..	..	..	..
				9,360 (does not include price of lighting equipment). @ 1s. 6d. to the rupee.	..	..	18 @ 9,097 (does not include the price of handbrake). 13 @ 9,455 (does include the price of handbrake). 119 @ 8,891 (does not include the price of handbrake and lighting equipment). @ 1s. 6d. to the rupee.	..	9,097	Burn & Co.	
								..	9,455	Ditto.	
								..	8,891	Ditto.	

Enclosure III.

STATEMENT B.

Analysis of the cost of an imported B. G. Indian Railway Conference Association type underframe, with bogies, based on f.o.b. price, obtained by cable by the East Indian Railway from the Director-General, India Store Department, London, for purposes of comparison with prices quoted by Indian tenderers in connection with the East Indian Railway recent call for tenders in India for 150 underframes.

Type of underframe.	A.	B.	C.	D.	E.	F.	G.	H.
	British manufacturer's price f.o.b. a British port (in sterling).	I. Freight. II. Freight brokerage. III. Insurance. IV. Interest.	Total c.i.f. price (in Rupees).	Rate of exchange taken for conversion purposes.	Customs duty (in Rupees).	Landing wharfage and port charges (in Rupees).	Estimated cost of erection (in Rupees).	Total cost (in Rupees).
	£ s. d.	£ s. d.	Rs. A. P.	£ s. d.	Rs. A. P.	Rs.	Rs.	Rs. A. P.
Broad Gauge I. R. C. A. type 67'-0".	561 0 0	I. 40 0 0	9,154 8 0	0 1 4	915 7 3	45	365*	10,479 15 3 or 10,480 0 0
		II. 0 12 0						
		III. 1 4 0						
		IV. 7 10 0	8,137 5 4	0 1 6	813 11 8	45	365	9,361 1 0 or 9,360 0 0

* This is the figure recently quoted by the E. I. Railway which does not agree with the cost of erection previously quoted by them at Rs. 200.

Enclosure IV.

STATEMENT C.

Statement showing the charges incurred on erection, etc., in India in the case of imported 67'-0" B. G. coaching underframes with bogies, to the I. R. C. A. standard design.

Name of Railway.	ERECTION.			TOTALS.
	Labour, etc.	Stores.	Supervision and overhead charges generally.	
	Rs.	Rs.	Rs. A. P.	Rs. A. P.
N. W. Railway	119	56	41 12 0	216 12 0
E. I. Railway	125	38	37 0 0	200 0 0
M. & S. M. Railway	63	12	38 0 0	113 0 0*
E. B. Railway	165	5	52 0 0	222 0 0
O. & R. Railway	75	15	31 0 0	121 0 0*

* These figures are remarkably low and some items of work appear to have been omitted in each case.
 NOTE.—Railways have not stated whether these figures include painting, but they probably do not. In connection with their recent call for tenders for coaching underframes, the E. I. Railway have given the cost of erection, painting, etc., in India as Rs. 366 approximately.

Enclosure V.

STATEMENT D.

Statement showing the total number of new bogie coaching stock, on both addition and renewal account, built or to be built for the Broad and Metre Gauges of Programme Railways during years 1922-23 to 1925-26.

Railways.	1922-23.	1923-24.	1924-25.	1925-26.
<i>Broad Gauge.</i>				
E. B. Railway	27	16	53	51
E. I. Railway	128	7	90	115
B. N. Railway	16	11	15	49
G. I. P. Railway	53	89	89	93
M. & S. M. Railway	18	18	3	15
N. W. Railway	131	43	107	205
O. & R. Railway	22	23	45	45
B. B. & C. I. Railway	29	44	35	1
S. I. Railway	7	8	..	..
TOTAL	431	259	443	574
<i>Metre Gauge.</i>				
E. B. Railway	2	8	..	..
Burma Railways	15	25	..	..
A. B. Railway	35	25	..	..
B. & N.-W. Railway	41	31	..	30
B., B. & C. I. Railway	59	37	35	67
R. & K. Railway	2	5	10	..
S. I. Railway	9	26	..	24
M. & S. M. Railway	33	16	10	5
TOTAL	196	173	55	126

Enclosure VI.

STATEMENT E.
Wagons, 1924-25.

Date of opening the tenders.	Types of which tenders were sent in.	Number of wagons to be ordered as stated in the call for tenders.	THREE LOWEST BRITISH TENDERS.			THREE LOWEST CONTINENTAL OR AMERICAN TENDERS AND THE COUNTRIES FROM WHICH THEY WERE SENT IN.						INDIAN TENDERS AND THE NAMES OF FIRMS TENDERING.					THE PRICE AT WHICH THE ORDERS WERE PLACED AND THE NAME OF THE FIRM TO WHICH IT WAS GIVEN.		
			1	2	3	1		2		3		Gwallior Engineering Works.	Herman and Mohatta.	Jessop & Co.	Burn & Co.	Indian Standard Wagon Co.	Price.	Name of firm.	Bounty in case of orders placed in India.
						Price.	Country.	Price.	Country.	Price.	Country.								
22nd January 1924.	Broad Gauge.		Rs.	Rs.	Rs.	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.			
	A1	1,500	3,663	3,864	3,994	3,526	Germany	3,872	Germany	3,881	Germany	..	3,665	4,903	..	4,429	..	....
	A2	400	3,885	3,982	4,104	3,768	Do.	4,361	Do.	4,426	Do.	..	3,865	5,028	4,421	..	3,885	Metropolitan Carriage Wagon Co.	
	A3	100	4,014	4,199	4,248	4,013	Do.	4,557	Do.	4,672	Do.	..	4,085	5,197	..	..	..	....
	C2	200	3,596	3,770	3,819	3,499	Do.	3,697	Do.	3,730	Do.	..	3,555	5,016	3,985	..	3,596	Metropolitan Carriage Wagon Co.	
	C3	200	3,518	3,865	3,882	3,019	Do.	3,326	Do.	3,942	Do.	..	3,486	5,174	4,194	..	..	....
	BA1	25	9,539	9,783	9,880	7,488	Do.	8,255	Do.	10,024	Belgium	..	6,895	12,476	..	..	..	....
	BC1	25	9,168	9,282	9,311	6,885	Do.	7,348	Do.	9,865	Italy	..	6,987	11,186	..	..	7,348	Honnoversch Wagonfabrik.
	BD1	25	8,114	8,179	8,309	6,295	Do.	6,756	Do.	8,436	Belgium	..	6,535	10,534	..	..	6,756	Ditto.
	J1	25	6,598	6,842	7,005	4,747	Do.	4,981	Do.	6,443	Germany	..	..	..	..	..	6,598	Hurst Nelson & Co.
	MA1	100	2,688	2,720	2,753	2,602	Do.	2,618	Do.	2,948	Belgium	5,720	3,665	3,711	..	..	2,618	Ringhoffer-Nesselsdorf Standing.
	MA2	100	2,723	2,844	2,899	2,752	Do.	2,793	Do.	3,122	Do.	..	4,085	3,772	..	..	..	....
	MA3	100	2,810	2,943	2,974	2,802	Do.	2,931	Do.	3,199	Do.	..	4,565	3,843	..	..	..	....
	MC1	50	2,454	2,520	2,540	2,346	Do.	2,537	Do.	2,636	Do.	4,650	3,385	3,620	..	..	2,346	Ringhoffer-Nesselsdorf Standing.
	MC2	50	2,544	2,577	2,610	2,420	Do.	2,526	Do.	2,644	Germany	4,850	3,565	3,726	..	..	..	....
	MC3	50	2,394	2,443	2,460	2,253	Do.	2,410	Do.	2,526	Belgium	4,450	3,295	3,563	..	..	..	....
MC4	50	2,466	2,482	2,582	2,365	Do.	2,427	Do.	2,564	Germany	4,650	3,485	3,606	..	..	..	....

NOTE 1.—The above prices are all basic. The actual prices at which contracts have been placed by each railway concerned include slight variations on account of certain details, such as provision of wheels, axles, door arrestors, etc., to suit the requirements of individual railways.

NOTE 2.—The rate of exchange adopted for purposes of comparison of foreign prices with those quoted by the Indian firm was 1s. 4½d. to the rupee.

NOTE 3.—All Indian tenders were rejected due to prices quoted being very high.

NOTE 4.—No orders were placed for A1, A3, C3, BA1, MA2, MA3, MC2, MC3 and MC4 types owing to changes in railways' requirements between the dates of calling for and opening tenders. The demands for A2 and C2 types were considerably increased and 2,300 wagons of these two types were reserved for placing orders in India after the passing of the Steel Industry (Protection) Act, 1924. Messrs. Herman & Mohatta were given an order for 150 A2 type wagons, but subsequently were unable to undertake it.

STATEMENT E—continued.

Statement showing the tenders received and orders placed for certain Broad and Metre Gauge Indian Railway Conference Association types of wagons required by Railways during the year 1924-25.

Date of opening the tenders.	Types of which tenders were sent in.	Number of wagons to be ordered as stated in the call for tenders.	THREE LOWEST BRITISH TENDERS.			THREE LOWEST CONTINENTAL OR AMERICAN TENDERS AND THE COUNTRIES FROM WHICH THEY WERE SENT IN.						INDIAN TENDERS AND THE NAMES OF FIRMS TENDERING.					THE PRICE AT WHICH ORDERS WERE PLACED AND THE NAME OF THE FIRM TO WHICH GIVEN.		Bounty.														
			1	2	3	1		2		3		Gwallor Engineering Works.	Herman and Mohatta.	Jessop & Co.	Burn & Co.	Indian Standard Wagon Co.	Price.	Name of firm.															
						Price.	Country.	Price.	Country.	Price.	Country.																						
			Rs.	Rs.	Rs.	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.															
15th July 1924.	A2	1,050	Supplementary tenders called for only in India. As no tenders were called for abroad, the costs of imported wagons, for purposes of fixing the bounties, were based on the foreign tenders received previously on 22nd January 1924.															Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	These prices include a bounty of Rs. 800 on wagons delivered in 1924-25 and Rs. 300 on wagons delivered in 1925-26.
	C2	1,250																4,520	4,406	4,446	1924-25 4,750	300 wagons by Jessop & Co. and 550 wagons by Burn & Co.	1925-26 4,200	1924-25 4,450	Indian Standard Wagon Company.	1925-26 4,000					

NOTE.—All tenders were rejected and orders were placed after the prices and the amounts of bounties had been fixed by negotiation with the representatives of the firms concerned and accepted by the latter. The higher rate of bounty in 1924-25 and lower rate in 1925-26 were fixed in order to spend as much of the 7 lakhs of rupees available in 1925-26 and to carry over as small a sum as possible to be paid out of the 7 lakhs available in 1925-26.

Statement II.—Endorsement, dated 17th August 1925, from the Railway Board.

Copy of telegram, dated 17th August 1925, by post, together with a copy of a note which explains the whole position clearly.

Enclosure I.

Telegram, dated the 17th August 1925, to the Tariff Board.

Your wire 445 of the 15th. Bounties payable each class of wagons ordered in July 1924 as follows:—

On both A-2 and C-2 types Rs. 800 per wagon on number supplied during 1924-25, and on both A-2 and C-2 Types Rs. 300 per wagon on number supplied during 1925-26.

Reference tenders January last, 480 A-2 type wagons ordered from P. L. Company for supply before 31st August 1926, carrying bounty Rs. 475 each, and 425 C-2 type wagons ordered from Indian Standard Wagon Company for supply by 15th March 1926, carrying bounty Rs. 700 each. Bounty payments up to March 1925 Rs. 2,85,600. Estimated payments during current year Rs. 7,00,000 and payments thrown forward to next financial year under orders already placed Rs. 3,73,400.

Enclosure II.

Note regarding wagon bounties.

In July 1924, immediately after the passing of the Steel Industry (Protection) Act, the Railway Board called for tenders for the construction in India of 1050 A-2 and 1250 C-2 type wagons. They received in response tenders for A-2 wagons at prices for Rs. 479 to Rs. 593 per wagon in excess of those for wagons ordered abroad in the previous February; and for C-2 wagons at prices Rs. 886 and Rs. 458 in excess of the February prices. But the tendering firms could only offer delivery of 320 A-2 wagons and 395 C-2 wagons at the outside in the current year; or actually, if the orders were placed in the most advantageous manner to Government, only 320 A-2 and 225 C-2 wagons.

A position of some difficulty therefore arose—

(a) In the first place the Railways required in 1924-25 the full number of 1050 A-2 and 1250 C-2 wagons in order to handle the traffic which they expected. They had, therefore, in any case to order abroad 730 A-2 and 1025 C-2 wagons, which the Indian tendering firms could not deliver to them in 1924-25. But at the same time the Indian firms could naturally not be expected to accept orders for only 320 A-2 and 225 C-2 wagons at prices which they had quoted for a much larger number, nor would so limited an order fulfil the object of section 4 of the Steel Industry (Protection) Act establishing the wagon building industry. It was necessary therefore to give the firms orders involving an extension of delivery into 1925-26.

The Railway Board overcame this difficulty by anticipating to some extent their requirements for 1925-26 and placing with the tendering firms orders for the delivery of 850 A-2 and 1250 C-2 wagons of which 320 A-2 and 225 C-2 were expected to be delivered in 1924-25 and the balance in the following year.

(b) But this by itself did not solve the problem. Section 4 of the Steel Industry (Protection) Act limits the amount payable as bounty to 7 lakhs in each financial year and does not allow any sum remaining unspent in one year to be added to the bounty that can be given in the following year. If the prices quoted by the tendering firms had been accepted as they stood, the amount payable as bounty in 1924-25 would, owing to the small deliveries which the firms could make in that year, have been only some Rs. 2,70,000.

while the bounty payable in 1925-26 on the 530 A-2 wagons and 1025 C-2 wagons to be delivered in that year would have been about Rs. 7,40,000. In order to keep the bounty payable in 1925-26 within the permissible limit of 7 lakhs it would in any event have been necessary to reduce by negotiation either the numbers to be delivered, or the prices to be paid in that year; but what was much more serious was that unless the Indian firms could tender for further orders in 1925-26 at competitive prices with the foreign firms, they might find themselves without orders after November and December 1925, since the bounty for 1924-25 would have already been exhausted. With this prospect in front of them, it seemed most unlikely that the firms would be prepared to take vigorous action to set the industry going.

The Railway Board met this difficulty in the following way. They rejected all the tenders and negotiated jointly with the firms concerned, offering them a higher price for wagons delivered in 1924-25 than for wagons delivered in 1925-26 and fixing those prices so that the total amount received by each firm for the whole order should correspond as closely as possible to the total amount which it would have received for the same number of wagons, had its tender been accepted.

2. These proposals were accepted by the firms with the following result:—

- (i) Contracts were let for 850 A-2 wagons at a rate of Rs. 4,750 per wagon for deliveries in 1924-25 which were anticipated to amount to 320 wagons and at a rate of Rs. 4,200 per wagon for deliveries in 1925-26. The total payment due under these contracts, if deliveries in 1924-25 had come up to expectations, would therefore have been Rs. 37,46,000 against Rs. 37,79,300 for the same number of wagons, had the tenders been accepted. Similarly, a contract was let for 1250 C-2 wagons at a rate of Rs. 4,450 per wagon for deliveries in 1924-25 expected to be 225 wagons, and at a rate of Rs. 4,000 per wagon for deliveries in 1925-26. The total payments due under this contract, if deliveries had come up to expectations, would have been Rs. 51,01,250 against Rs. 51,15,000 had the tender been accepted.

The method adopted by the Railway Board was therefore calculated to result in a saving of Rs. 47,000 to Government, against which the firms obtained the advantage of larger payments at the earlier stages of delivery. The prices fixed represented bounties of Rs. 800 per wagon in 1924-25 and Rs. 300 per wagon in 1925-26. They meant, therefore, had deliveries been distributed as was expected between the two years a payment of Rs. 4,36,000 in 1924-25 and Rs. 4,66,500 in 1925-26 by way of bounty, leaving Rs. 2,33,500 for bounties in 1925-26 on subsequent orders for wagons for delivery in that year.

- (ii) In the event, however, the firms failed to deliver the full anticipated number of wagons in 1924-25, only 407 wagons being delivered up to 31st March 1925, as against 540 expected to be delivered during the year.

This resulted in a total sum of Rs. 3,25,600 being earned by wagon-building firms, on account of bounties on wagons supplied during the year under review, as compared with Rs. 4,36,000 originally estimated as likely to be paid in that year. Of the former amount only Rs. 2,85,600 could be paid before 1st April 1925, owing to wagons being delivered daily up to 31st March 1925, which made it possible to pass and pay all the bills for the wagons by mid-night of that date, and on this account a sum of Rs. 40,000 had to be carried over for payment in the year 1925-26. This carry over coupled with the shortage in delivery against number of wagons due under the contracts has had the effect of reducing the balance available for payment of bounties in 1925-26 to Rs. 1,52,100, as compared with the original estimated balance of Rs. 2,33,500.

In the month of October the Railway Board again invited tenders for the supply of wagons to such of the Railways as agreed to join in the call for tenders. For purposes of giving effect to the tenders of the Steel Industry

(Protection) Act, 1924, on this occasion also, the Board selected the A-2 and C-2 types of wagons for orders to be placed in India under the bounty scheme. The numbers of these two types, included in the call, were 515 A-2 and 425 C-2, being the balance of the requirements of these types of wagons in the year 1925-26 of railways joining in the call for tenders. The demand for 515 A-2 type was, however, subsequently reduced to 480 A-2. On examination of the tenders received from wagon building firms in India, it was found that only one firm had adhered to all the terms of the call and had tendered for the supply of 215 A-2 and 115 C-2 wagons at Rs. 3,898 and Rs. 3,800 per wagon respectively. These prices happened to be the lowest of all the quotations received from wagon-building firms in India, but they were Rs. 475 for an A-2 and Rs. 700 for a C-2 wagon in excess of the costs of similar wagons based on the lowest satisfactory tenders received from abroad. These sums of Rs. 475 and Rs. 700 per wagon were consequently fixed as the bounty per wagon for A-2 and C-2 type respectively, to be attached to orders placed in India. The Railway Board had no hesitation in accepting the tender for 215 A-2 type wagons, referred to above. With regard to the balance of their requirements, viz., 265 A-2 and 425 C-2 wagons they had to consider how to distribute the orders to the best advantage taking into consideration the fulfilment of the object of the Steel Industry (Protection) Act, 1924, viz., establishing the wagon building industry in India; the manufacturing capacity of the firms, the fact that they had in hand orders previously placed for certain types of wagons, and the best financial advantage to the State. The firm, whose tender for 215 A-2 wagons was accepted, was already in possession of an order for 500 A-2 wagons, and the Board therefore thought it expedient to make a further offer of the balance of 265 A-2 wagons to that firm, at the same price as tendered for the 215 A-2 wagons. This offer was accepted by the firm. As regards the 425 C-2 wagons, it has already been mentioned that the lowest quotation for this type was also from the same firm, who got the order for 480 A-2 wagons. But it was for a small number of wagons, viz., 125 C-2 and moreover it was not considered in consonance with the policy of establishing the wagon building industry in India to give all the orders to one firm. Furthermore, from the reports received from the Indian Stores Department regarding the manufacturing capacity of this firm, it was evident that the firm could not cope with any further orders during the year 1925-26 and might even fail to complete the delivery of all the A-2 wagons ordered from them. At the same time, however, the Board were not prepared to pay more for this type than the lowest tender price, received from Indian firms. The Board, therefore, made an offer to another firm, whose tender appeared to correspond very closely to the lowest tender price, (viz., Rs. 3,800 per wagon) for C-2 wagons, referred to above. This firm had already in hand a large previous order for C-2 wagons. This offer was also accepted. The two firms, which have received the orders for these wagons, are the only two which are engaged solely on wagon building, and the orders were, therefore, most suitably placed, both in consonance with the policy of establishing the wagon building industry in India and also to the best financial advantage of the State. As, however, it was uncertain whether the firm which got the order for 480 A-2 wagons, would be able to deliver more than 100 A-2 wagons in 1925-26 in addition to those due against previous orders and as the 480 A-2 wagons ordered from them were urgently required to carry the traffic offering the Board placed an additional order for 380 A-2 wagons abroad. They felt quite safe in doing so, because they had no doubt that their wagon requirements in 1926-27 in respect of the two types in question, will not be less than the probable output of the Indian firms during that year. Apart from the question of the distribution of orders, the Board had to consider also the more difficult question of payment of bounties out of the small amount expected to be available during the year 1925-26, viz., Rs. 2,33,500. At Rs. 475 per wagon the bounty on 480 A-2 wagons alone would amount to Rs. 2,28,000 or practically the full amount expected to be available in 1925-26 and with the further addition of Rs. 2,97,500, at Rs. 700 per wagon, on 425 C-2 wagons the total amount required would be Rs. 5,25,500 altogether as against the anticipated available of Rs. 2,33,500. This latter sum has since been reduced, as already mentioned, to Rs. 1,52,100.

On their past experience the Board were very doubtful whether the firms would actually be able to deliver in 1925-26 all the wagons ordered from them. In any case, the Board felt certain that such balance as might eventually be available during 1925-26, would be sufficient to cover the amount that might fall due on the portion of the total order for A-2 wagons likely to be delivered during the year. The only other question for consideration, therefore, was how to liquidate the amount of bounty due on the order for 425 C-2 wagons, and the Board solved this by stipulating when placing the order for these wagons, that although the wagons must be delivered during the year 1925-26, payments for them will be made during the year to the extent of Rs. 3,100 per wagon only and the balance of Rs. 700 per wagon will be paid in April 1926. This stipulation has also been accepted by the firm concerned. This means that Rs. 2,97,500 out of the Rs. 7 lakhs available for bounties during the year 1926-27, will be hypothecated on account of 425 C-2 wagons and a further sum amounting to Rs. 75,900 will also have to be paid during the year on account of part of the order for 480 A-2 wagons, so that there will be available in 1926-27 a sum of Rs. 3,26,600 only for the payment of bounties on wagons ordered for that year.

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