

REPORT

OF THE

Indian Tariff Board

REGARDING THE

**Removal of Surcharge on Protective
Duties on Paper and Paper Pulp**



X9(M13)53.2
G8
11711

X9(M13)53.2
India. Tariff Commission
011711

GOVERNMENT OF INDIA
GENERAL MANAGER OF PUBLICATIONS
1958

Price As. 5 or 6d.

REPORT

OF THE

Indian Tariff Board

REGARDING THE

**Removal of Surcharge on Protective
Duties on Paper and Paper Pulp**



DELHI, MANAGER OF PUBLICATIONS
1938

List of Agents in India from whom Government of India Publications are available.

(a) PROVINCIAL GOVERNMENT BOOK DEPOTS.

- MADRAS** :—Superintendent, Government Press, Mount Road, Madras.
- BOMBAY** :—Superintendent, Government Printing and Stationery, Queen's Road, Bombay.
- SIND** :—Manager, Sind Government Book Depot and Record Office, Karachi (Sadar).
- UNITED PROVINCES** :—Superintendent, Government Press, Allahabad.
- PUNJAB** :—Superintendent, Government Printing, Punjab, Lahore.
- CENTRAL PROVINCES** :—Superintendent, Government Printing, Central Provinces, Nagpur.
- ASSAM** :—Superintendent, Assam Secretariat Press, Shillong.
- BIHAR** :—Superintendent, Government Printing, P. O. Gulzarbagh, Patna.
- NORTH-WEST FRONTIER PROVINCE** :—Manager, Government Printing and Stationery, Peshawar.
- ORISSA** :—Press Officer, Secretariat, Cuttack.

(b) PRIVATE BOOK-SELLERS.

- | | |
|--|--|
| <p>Advani Brothers, P. O. Box 100, Cawnpore.</p> <p>Aero Stores, Karachi.*</p> <p>Banthiya & Co., Ltd., Station Road, Ajmer.</p> <p>Bengal Flying Club, Dum Dum Cantt.*</p> <p>Bhatia Book Depot, Saddar Bazar, Ranikhet.</p> <p>Bhawani & Sons, New Delhi.</p> <p>Bombay Book Depot, Charni Road, Girgoon, Bombay.</p> <p>Book Company, Calcutta.</p> <p>Booklover's Bazaar, Talkad, Trivandrum, South India.</p> <p>Burma Book Club, Ltd., Rangoon.</p> <p>Butterworth & Co. (India), Ltd., Calcutta.</p> <p>Careers, Mohini Road, Lahore.</p> <p>Chatterjee & Co., 3, Bacharam Chatterjee Lane, Calcutta.</p> <p>Chukerverty, Chatterjee & Co., Ltd., 13, College Square, Calcutta.</p> <p>City Book Club, 98, Phayre Street, Rangoon.</p> <p>Das Gupta & Co., 54/3, College Street, Calcutta.</p> <p>Dastane Brothers, Home Service, 456, Raviwar Peth, Poona 2.</p> <p>Delhi and U. P. Flying Club, Ltd., Delhi.*</p> <p>English Book Depot, Ferozapore.</p> <p>English Book Depot, Taj Road, Agra.</p> <p>English Bookstall, Karachi.</p> <p>English Bookstores, Abbottabad, N.-W. F. P.</p> <p>Fakir Chand Marwah, Peshawar Cantt.</p> <p>Fono Book Agency, Simla.</p> <p>Gautama Brothers & Co., Ltd., Meaton Road, Cawnpore.</p> <p>Higglinbothams, Madras.</p> <p>Hindu Library, 137/F, Balaram De Street, Calcutta.</p> <p>H. L. College of Commerce, Co-operative Stores, Ltd., Ahmedabad.</p> <p>Hyderabad Book Depot, Chaderghat, Hyderabad (Deccan).</p> <p>Imperial Book Depot and Press, near Jama Masjid (Machhill-walan), Delhi.</p> <p>Indian Army Book Depot, Dayalbagh, Agra.</p> <p>Indian Book Shop, Benares City.</p> <p>Indian School Supply Depot, Central Avenue, South, P. O. Dharamtala, Calcutta.</p> <p>Insurance Publicity Co., Ltd., Lahore.</p> <p>International Book Service, Poona 4.</p> <p>Jacques & Co., Kamptee Road, Nagpur, Messrs. Neaton.</p> <p>Jaina & Bros., Mori Gate, Delhi and Connaught Place, New Delhi, Messrs. J. M.</p> <p>Kamala Book Depot, 15, College Square, Calcutta.</p> <p>Karnataka Publishing House, Bangalore City.</p> <p>Koale & Co., 86, Britto Road, Karachi (Sadar).</p> <p>Koahao Bookstall, Khadibazar, Belgaum.</p> <p>Kitabistan, 17-A, City Road, Allahabad.</p> <p>Krishnaswami & Co., Teppakulam P. O., Trichinopoly Fort, Messrs. S.</p> <p>Lahiri & Co., Calcutta, Messrs. S. K.</p> <p>Local Self-Govt. Institute, Bombay.</p> <p>London Book Co. (India), Arinah Road, Peshawar, Murree, Nowshera and Rawalpindi.</p> | <p>Mackwin & Co., Booksellers, Stationers and News Agents, Inverarity Road, off Elphinstone Street, Karachi (Sadar)</p> <p>Malhotra & Co., Post Box No. 94, Lahore, Messrs. U. P.</p> <p>Malik & Sons, Sialkot City.</p> <p>Mathur, B. S., Book-seller, Civil Lines, Jodhpur.</p> <p>Minerva Book Shop, Anarkali Street, Lahore.</p> <p>Modern Book Depot, Bazar Road, Sialkot Cantonment & Napier Road, Jullunder Cantonment.</p> <p>Mohanlal Dossabhai Shah, Rajkot.</p> <p>Mohendra Bros., Laskar, Gwalior State, Messrs.</p> <p>Nandkishore & Bros., Chowk, Benares City.</p> <p>New Book Co. "Kitab Mahal", 192, Hornby Road, Bombay.</p> <p>Newman & Co., Ltd., Calcutta, Messrs. W.</p> <p>Oxford Book and Stationery Company, Delhi, Lahore, Simla, Meerut and Calcutta.</p> <p>Parikh & Co., Baroda, Messrs. B.</p> <p>Pioneer Book Supply Co., 20, Shib Narayan Das Lane, Calcutta, and 219, Cloth Market, Delhi.</p> <p>Popular Book Depot, Grant Road, Bombay.</p> <p>Punjab Religious Book Society, Lahore.</p> <p>Raghunath Prasad & Sons, Patna City.</p> <p>Ram Krishna Bros., Opposite Bishrambag, Poona City.</p> <p>Ram Narain Lal, Katra, Allahabad.</p> <p>Rama Krishna & Sons, Book-sellers, Anarkali, Lahore.</p> <p>Ramesh Book Depot & Stationery Mart, Kashmir Gate, Delhi.</p> <p>Ray & Sons, 43, K. & L. Edwardes Road, Rawalpindi, Murree and Peshawar, Messrs. J.</p> <p>Roy Chowdhury & Co., 72, Harrison Road, Calcutta, Messrs. N. M.</p> <p>Saraswati Book Depot, 15, Lady Hardinge Road, New Delhi.</p> <p>Sarcar & Sons, 15 College Square, Calcutta, Messrs. M. C.</p> <p>Sarkar & Co., Ltd., 6, Hastings Street, Calcutta, Messrs. P. C.</p> <p>Sharada Mandir Ltd., Nai Sarak, Delhi.</p> <p>Standard Book Depot, Lahore, Dalhousie and Delhi.</p> <p>Standard Bookstall, Karachi.</p> <p>Standard Bookstall, Quetta.</p> <p>Standard Law Book Society, 69, Harrison Road, Calcutta.</p> <p>Tara & Sons, Razmak (India), Messrs. B. S.</p> <p>Taraporevala Sons & Co., Bombay, Messrs. D. B.</p> <p>Thacker & Co., Ltd., Bombay.</p> <p>Thacker, Splink & Co., Ltd., Calcutta and Simla.</p> <p>Tripathi & Co., Book-sellers, Princess Street, Kalbadevi Road, Bombay, Messrs. N. M.</p> <p>University Book Agency, Kachari Road, Lahore.</p> <p>Upper India Publishing House, Ltd., Literature Palace, Anmuddaula Park, Lucknow.</p> <p>Varadachary & Co., Madras, Messrs. P.</p> <p>Venkatasubban, A., Law Book-seller, Vellore.</p> <p>Wheeler & Co., Allahabad, Calcutta and Bombay, Messrs. A. H.</p> <p>Young Man & Co., Egerton Road, Delhi.</p> |
|--|--|

* Agents for publications on Aviation only.

Personnel of the Board.

President . . . Sir Geoffrey Bracken, K.C.I.E., C.S.I., I.C.S.

Member . . . Mr. Fazal Ibrahim Rahimtoola.

Secretary . . . Rai Sahib H. C. Sen.

TABLE OF CONTENTS.

PARA.	PAGE.
1. Terms of Reference	1
2. Departmental enquiry of 1936	1
3. Tariff Board's enquiry	2
4. Recommendations of Tariff Boards of 1925 and 1931	2
5. Comparison of costs	3
6. Effect of revenue surcharge	3
7. Position of established mills	7
8. Position of new and reconstructed mills	8
9. Recommendation as to surcharge on paper	8
10. Recommendation as to surcharge on imported pulp	9

Report

regarding the

Removal of Surcharge on Protective Duties on Paper and Paper Pulp.

1. In their Resolution No. 202-T. (1)/36, dated the 11th December, 1937, requesting the Tariff Board to re-examine the question of the protection enjoyed by the Paper and Paper Pulp industries and to report what protective measures (if any) should be continued after the 31st March, 1939, the Government of India have stated that if the Board is satisfied in the course of its investigations that the revenue surcharge on the paper protective duties is no longer justifiable, it will be at liberty to make its recommendations in this behalf in advance of its main report.

2. The Government of India in May, 1936, instituted a departmental enquiry into the question whether the continuance of the existing surcharge on the paper protective duties was any longer justified in view of the fact that the revised classification of paper gave the industry a not inconsiderable extension in the range of protection beyond that previously enjoyed.

The reply of the Indian Paper Makers Association was that the re-classification merely widened the market but did not in any way increase the price realised by the mills for the paper they manufactured. Their main contention was that the price of the bleached qualities which formed the bulk of their production had decreased notwithstanding the surcharge of 3 pies per pound, and that the mills received from the Government of India in 1936-37 for the paper supplied to them a price representing in the case of white printing a reduction of 5 pies per pound or approximately Rs. 58-5-0 per ton and in the case of semi-bleached printing $4\frac{1}{2}$ pies per pound or approximately Rs. 52-8-0 per ton. Similarly in the general markets all over India, due to the importation of German paper subsidised by barter exchange and shipment of cheap Japanese paper, chiefly in the Bombay market, prices had fallen since 1931 to an extent greater than the amount of the surcharge.

The Tariff Board in determining the measure of protection required postulated a works cost of Rs. 327 as the average over the period of protection but stated that this figure was Rs. 27 per ton higher than the figure estimated as the cost at which Indian mills would ultimately be able to manufacture.

The Association contended that though their works costs had been brought down in 1936 to Rs. 294 in the case of Titaghur,

Rs. 261 for Bengal and Rs. 301 in the case of the India Paper Pulp Company, still the over-all selling price realised in 1935-36 did not justify withdrawal of the surcharge. The Association urged that it would be inopportune to remove the surcharge as the original protective duty granted to the industry was rendered nugatory by the import of paper below the cost of production in the country of manufacture. They also pointed out that in spite of the surcharge the price charged to the consumer for Indian paper was lower than in 1930-31. In conclusion they urged that the question of surcharge be left over till the next Tariff Board enquiry.

3. We entered upon our duties on December 13th, 1937, and issued questionnaires inviting paper mill companies to submit facts and figures in support of any claim Tariff Board's enquiry. for the continuance of the surcharge in addition to the general case for the continuance of protection. We have completed a scrutiny of the replies received and have examined representations of the Paper Mills Companies. We have also inspected representative mills manufacturing paper from pulp made from bamboo, grass and other indigenous materials and are satisfied that we have sufficient data on which to come to a conclusion on the preliminary question of the revenue surcharge in advance of our main report.

4. The Tariff Board of 1925 recommended a specific protective duty of one anna a pound on most classes of writing and printing paper with the important exception of newsprint containing a high percentage of mechanical pulp. The same specific rate of protective duty for the same classes of paper was proposed by the Tariff Board of 1931 which made the additional recommendation that a new duty of Rs. 45 per ton should be levied on imported pulp. These recommendations were accepted by the Government of India and embodied in the Bamboo Paper Industry (Protection) Act of 1932. Meanwhile a surcharge of 25 per cent. had been imposed in November, 1931, by the Indian Finance (Supplementary and Extending) Act of 1931 on revenue and protective duties which had the effect of raising the specific duty of 1 anna a pound to 1 anna 3 pies and the alternative *ad valorem* duty of 15 per cent. to 18 $\frac{3}{4}$ per cent. The duty on wood pulp was also thereby increased from Rs. 45 to Rs. 56-4-0 per ton. This revenue surcharge gave the paper industry an additional amount of protection beyond the original recommendation of the Tariff Board.

The Tariff Board of 1931 examined the financial position of the principal companies for the period between 1925 and 1931. In the case of the Titaghur, Bengal and India Paper Pulp Companies it found that during the six years the average price realised exceeded the works cost per ton of paper made by Rs. 105-35, Rs. 76-62 and Rs. 127-05 respectively, which was considerably below the figure of Rs. 149 per ton which the Tariff Board of 1925 calculated as the margin for overheads and profit.

Of the five companies whose balance sheets were scrutinised three were on a regular dividend paying basis and had accumulated reserves and another had earned a small profit, but was able to pay a dividend of 3 per cent. only in one year. The remaining company had paid no dividend and accumulated no reserve but had set aside an adequate amount for depreciation and had thus improved its position which had, before protection, been somewhat uncertain.

5. The following Table shows the surplus of prices realised over works costs per ton of paper made in the period 1931-32 to 1936-37 compared with the period 1925-26 to 1930-31 for the three same companies.

TABLE I.—Statement showing the surplus of prices realised over works costs per ton of paper made.

	Titagarh Paper Mills Co.	Bengal Paper Mills Co.	India Paper Pulp Co.
	Rs.	Rs.	Rs.
1931-32 . . .	107.30	90.66	122.23
1932-33 . . .	118.54	100.88	113.59
1933-34 . . .	107.00	86.69	89.52
1934-35 . . .	101.26	69.98	99.57
1935-36 . . .	106.59	100.61	111.18
1936-37 . . .	109.17	113.68	108.93
Average with duty at 1 anna 3 pies per lb.	108.31	93.75	107.50
Average for period 1925-26 to 1930-31 with duty at 1 anna per lb.	105.35	76.62	127.05

It will be observed that the margin was almost the same in the case of the first Company, higher in the case of the second and lower in the case of the third.

We have examined the balance sheets of the five principal paper making companies for the period 1931-32 to 1936-37. Two companies have increased their dividends very considerably and one which paid no dividends before 1930-31 has paid dividends ranging from 4 to 6 per cent. since 1934-35. Of the remaining two, one has paid dividends regularly though on a small scale except in one year when alterations in plant necessitated partial closure, and the other in four years out of six. All companies have been able to increase their reserves and make provision for extensions and improvements in their plant which have already reduced the cost of manufacture.

6. The general improvement in the financial condition of companies is no doubt due to the additional amount of protection consequent on the revenue surcharge they

Effect of revenue surcharge. have enjoyed during the last six years.

We, therefore, called upon them to prepare statements showing the effect of the removal of the surcharge on

EFFECT OF REVENUE SURCHARGE.

their financial position on the supposition that if the surcharge is removed the price of imported paper will fall to that extent and Indian mills be forced to reduce their selling prices proportionately, consequences which do not, however, necessarily follow, since the margin between the prices of Indian made paper and imported paper widened to about 4 to 5 pies per lb. in 1937-38 against a normal margin of 2 pies.

Table II shows the margin of profit realised and Table III the margin of profit which might have been expected to be realised, if the revenue surcharge had not been imposed. In making the calculations in Table III we have deducted the surcharge of Rs. 11-4-0 per ton on imported pulp which has the effect of reducing the works costs to the extent to which imported pulp has been used.

TABLE II.

Year.	Works Costs.	Overheads.	Total.	Realised price Net <i>Ex-Mill.</i>	Profit.
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>India Paper Pulp Co., Ltd.</i>					
			(Per ton.)		
1931-32 . . .	318-77	85-94	404-71	441	36-29
1932-33 . . .	324-41	70-13	394-54	438	43-46
1933-34 . . .	323-48	62-32	385-80	413	28-20
1934-35 . . .	306-43	59-33	365-76	406	40-24
1935-36 . . .	300-72	61-26	361-98	412	50-02
1936-37 . . .	306-07	65-73	371-80	415	43-20
<i>Titaghur Paper Mills Co.</i>					
			(Per ton.)		
1931-32 . . .	353-52	58-94	412-46	461-30	48-84
1932-33 . . .	331-66	58-06	389-72	448-70	58-98
1933-34 . . .	314-05	53-36	368-31	421-87	53-56
1934-35 . . .	310-82	57-34	368-16	412-07	43-91
1935-36 . . .	308-25	52-63	360-88	415-80	54-92
1936-37 . . .	309-29	49-49	358-78	418-48	59-70

EFFECT OF REVENUE SURCHARGE.

5

Year.	Works Costs.	Overheads.	Total.	Realised price Net Ex-Mill.	Profit.
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Bengal Paper Mills Co.</i>					
			(Per ton.)		
1931 . . .	337-99	43-44	381-43	428-66	47-23
1932 . . .	311-90	42-07	353-97	412-78	58-81
1933 . . .	307-89	42-09	349-98	394-58	44-60
1934 . . .	307-13	47-57	354-70	377-11	22-41
1935 . . .	276-77	49-26	326-03	377-38	51-35
1936 . . .	264-98	51-17	316-15	378-66	62-51

TABLE III.

Year.	Works Cost.	Percentage of imported pulp used.	Quantity used in tons per ton of paper.	Deduction on account of the surcharge of Rs. 11-25 per ton on imported pulp.		Works cost less surcharge on imported pulp.	Overheads.	Total Cost.	Realised price less surcharge on paper at Rs. 35 per ton.	Profit.	Loss.
				Rs.	Rs.						
<i>India Paper Pulp Co., Ltd.</i>											
(Per ton.)											
1931-32	318-77	58-34	-583	6-56	312-21	85-04	398-15	406	7-85	..	..
1932-33	324-41	54-33	-543	6-11	318-30	70-13	388-43	403	14-57	..	..
1933-34	323-43	54-33	-543	6-16	317-32	62-32	379-64	378	..	..	1-64
1934-35	306-43	44-59	-446	5-02	301-41	59-33	360-74	371	10-26	..	..
1935-36	300-72	29-12	-291	3-27	297-45	61-26	358-71	377	18-29	..	..
1936-37	306-07	29-07	-297	3-34	302-73	65-73	368-46	380	11-54	..	..
<i>Tilaghur Paper Mills Co.</i>											
(Per ton.)											
1931-32	353-52	48-31	-488	5-49	348-03	58-94	406-97	426-30	19-33	..	..
1932-33	331-06	55-49	-555	6-24	325-42	58-06	383-48	418-70	30-22	..	..
1933-34	314-95	45-09	-457	5-14	309-81	53-36	363-17	386-87	23-70	..	..
1934-35	310-82	43-97	-440	4-95	305-87	47-34	353-21	377-07	18-86	..	..
1935-36	308-25	43-08	-430	4-34	303-91	42-63	346-54	380-80	24-76	..	..
1936-37	309-29	25-32	-252	2-33	306-96	40-49	347-45	383-48	27-53	..	..
<i>Bengal Paper Mills Co.</i>											
(Per ton.)											
1931	337-99	59-59	-595	6-69	331-30	48-44	379-74	393-66	18-92	..	..
1932	311-90	51-05	-520	5-85	306-05	42-07	348-12	377-78	29-06	..	..
1933	307-80	41-79	-418	4-70	303-10	42-00	345-28	359-58	14-30	..	..
1934	307-13	40-44	-404	4-54	302-59	47-57	350-16	342-11	..	..	8-05
1935	276-77	17-07	-171	1-92	274-85	49-26	324-11	342-38	18-28	..	..
1936	264-98	10-28	-103	1-16	263-82	51-17	314-99	343-06	28-07	..	..

It will be observed that the realised margin of profit as shown in Table II never reached Rs. 64 per ton, the fair margin of profit estimated by the Tariff Board of 1931 in spite of the surcharge and that in the four years 1931-32 to 1934-35 the reduction in works costs was less than the fall in the realised price. Without the surcharge the margin of profit as shown in Table III would have been generally small and in two cases have been converted into a loss. In 1935-36 and 1936-37 cost of production remained almost stationary in the case of two mills but the Bengal Paper Mill Company were able to effect a further reduction owing mainly to the fact that they were manufacturing less expensive grades of paper. On the other hand, there was a slight improvement in the realised prices. The average margin of profit was, therefore, higher but was less than half the fair margin of profit estimated by the Tariff Board. It is clear therefore that but for the revenue surcharge the average margin of profit realised by the mills would not have been such as to give the return on the capital invested which the Tariff Board considered reasonable, until 1937-38 when a substantial rise in the price of imported paper enabled them to raise their selling limits.

7. The three principal companies, who manufacture paper from bamboo or grass pulp and whose combined output represented 85 per cent. of the total production of paper in 1936-37, agree that having regard to the present level of prices of imported paper the continuance of the revenue surcharge is not necessary as a measure of protection. The other two companies are not in so strong a position and have pressed for the continuance of the surcharge as a measure of protection. They have in the period under review used larger quantities of imported pulp and comparatively less indigenous material than the other three companies and have therefore a less strong claim for protection. All the five companies have effected substantial reductions in their works costs since 1930-31 and have further economies in view. Increases in production have also enabled them to reduce the incidence of overhead charges. We shall deal at length with the question of the cost of production in our main report.

As regards the prices of imported classes of paper which compete with Indian made paper, the general tendency from 1930-31 was in the downward direction. The reduction in this period was just over 6 pies per pound. From December, 1936, however, a rise began in the price of wood pulp and a corresponding rise in the price of imported paper. In 1937-38 the c.i.f. price of imported classes of paper which compete with Indian mills' products has risen again to the 1930-31 level. Having regard to the fact that the cost of manufacture has been appreciably reduced, we think that the industry to-day does not now require additional protection in the shape of the surcharge. Though recently there has been some recession in prices, there does not appear to be any probability of a fall in the price of Continental paper to the level touched during the period of depression in the financial year 1938-39

in view of the declared policy of foreign pulp making companies to maintain the price of pulp at an agreed level.

The only difficulty that can be foreseen is the import of cheap Japanese paper. We understand that Japanese wood free printing paper was quoted as low as £15-10-0 per ton c.i.f. Bombay in 1936-37 and sold at about 3 annas a pound. The selling price has recently been increased to 3 annas 6 pies per pound following the general rise in prices, but it is still well below the price of similar qualities of paper imported from Continental countries which has stood at not less than 4 annas per pound. We shall deal with the question of foreign competition at greater length in our main report.

8. The position taken up by new or reconstructed mills is different. They claim that in the early stages of production they are likely to meet with difficulties which will

Position of new and reconstructed mills. increase their costs and that they require the surcharge as a measure of protection.

We have examined such estimates of the cost of manufacture as have been submitted by them. In the case of one mill using grass the estimate is based on the experience of 9 months working in 1937, but as the mill has worked to less than a third of its full capacity and has encountered special difficulties in obtaining its raw material at a reasonable price, the present figures are not indicative of future works costs. One new mill using rags and waste paper has in 1936-37 declared a dividend on the capital invested which stood at an unusually low figure, as it was able to obtain second hand machinery at a very low price. The four remaining mills which intend to use bamboo or grass for the manufacture of pulp have not yet been completed. The estimates of the cost of production put in by three of the mills are somewhat higher than the present actual costs of established mills. But as they are purely theoretical costings we cannot base our calculations on them. The estimate of the fourth mill is so high that we cannot accept it as reasonable. It is no doubt true that in the early stages of manufacture new mills may encounter difficulties. On the other hand, they have profited by the experience of the older mills and are able to instal the latest type of machinery which have proved to be the most suitable for Indian conditions. We see no reason why their costs should prove to be higher than the average costs of established mills as soon as they are able to manufacture up to their designed capacities. But taking even their own estimates of costs, we are satisfied that the revenue surcharge is not required as a measure of protection at the prevailing level of prices.

9. Our conclusion is that the continuance of the revenue surcharge imposes an unnecessary burden on the consumer at the present level of prices and is not justifiable

Recommendation as to surcharge on paper. as essential to the development of the industry. Over-protection, besides enabling manufacturers to maintain prices at a level which is unfair to

the consumer, may give undue encouragement to the starting of further new concerns with the consequent danger of eventual over-production which is not in the interests of the industry itself, taking a long view of its development.

Our recommendation applies only to the protected classes of paper and not to the unprotected classes which are subject to revenue duty.

We consider it, however, necessary to add the proviso that action should be taken under section 4 of the Indian Tariff Act of 1934 if the price of any class of imported protected paper should fall to the level which would render the protective duty ineffective.

10. In regard to the surcharge on the protective duty on wood pulp somewhat different considerations apply. Reduction in the price of pulp is obviously to the advantage

of both established and new mills to the extent to which imported pulp is used. Any considerable reduction in the duty on imported pulp might result in the substitution of imported pulp for pulp made from indigenous materials, but a reduction by Rs. 11-4-0 per ton, the amount of surcharge, is not, in our opinion, likely to have this effect taking into consideration the recent rise in the world price of wood pulp and the reduction in the cost of manufacture of indigenous pulp since 1930-31. The danger of this undesirable development is so small that the removal of surcharge on the pulp duty may safely be recommended for the remaining period of protection pending consideration of the basic amount of the protective duties which we may find to be necessary to recommend in our main report if continuance of protection for the paper industry is found to be justifiable beyond the 31st March, 1939.

Recommendation as to surcharge on imported pulp.

G. T. H. BRACKEN,
President.

F. I. RAHIMTOOLA,
Member.

H. C. SEN,
Secretary.

March, the 30th, 1938.