

INDIAN TARIFF BOARD

Enquiry regarding the Grant of Protection

TO THE

PRINTERS' INK INDUSTRY

EVIDENCE TENDERED BY THE

APPLICANT FOR PROTECTION.

(The Hooghly Ink Company.)



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Press Communiqué.

In a communiqué dated the 17th April 1924, the Tariff Board outlined the procedure they had decided to adopt in their enquiries into the industries referred to them in the Resolution of the Government of India in the Commerce Department No. 38-T., dated the 10th April 1924. The first stage was to obtain the evidence of the applicants for protection, and the second to publish this evidence—whether written or oral—so that all interested might give their opinions after they had had an opportunity of considering the case put forward. The evidence tendered by the applicants for protection in the Printers' Ink industry has now been published and copies may be obtained from the Manager, Central Publication Branch, 8, Hastings Street, Calcutta, price, Eight annas.

2. Only one firm—The Hooghly Ink Co.—has addressed the Board regarding Printer's Ink, and the written and oral evidence tendered by them is now published. The request made is that the Company should be exempted from the payment of duty on certain imported materials on which 15 per cent. is levied, whereas imported ink pays only 2½ per cent., or, in the alternative, that the duty on imported ink should be raised to 15 per cent.

3. The Board will be glad to receive written representations from all Public Bodies, Associations, firms or persons who desire to be heard regarding the grant of protection to the Printers' Ink industry.

Oral evidence will be taken as follows:—

At Calcutta, between the 21st August and the 6th September.

At Bombay, between the 9th and the 30th September.

As Madras, between the 1st and the 14th November.

At Rangoon, between the 19th November and the 2nd December.

It is necessary that those who desire to supplement their written representations by oral evidence should inform the Board with the least possible delay, so that the dates for taking evidence may be definitely fixed. This is particularly important for those who desire to be examined at Calcutta, where oral evidence will first be taken. The Board will leave Simla on the 29th July and, after visiting Dehra Dun, Lucknow and Katni will arrive at Calcutta on the 10th August. The following dates have been fixed by the Board as the latest dates for receiving written representations or requests for taking oral evidence:—

Requests for oral examination at Calcutta. 12th August.

Submission of written representations by those who desire to be examined orally at Calcutta 19th August.

Requests for oral examination at Bombay.	22nd August.
Submission of written representations by those who desire to be examined orally at Bombay	1st September.
All other written representations	30th September.

The programme for oral examination at Madras and Rangoon will be arranged later. All requests for oral examinations should be addressed to the Secretary to the Board, No. 1, Council House Street, Calcutta, and should be despatched so as to arrive on or after the 1st August, the date on which the Board's office will open at Calcutta.

THE PRINTER'S INK INDUSTRY.

A.—QUESTIONNAIRE FOR APPLICANTS FOR PROTECTION.

I.—INTRODUCTORY.

1. When was the firm which you represent established? Is it a public or private registered Company, or is it an unregistered firm?

2. To what extent is the capital invested in your firm held by Indians? How many Indians are Directors? How many Indians (if any) form part of the superior management?

3. Does your firm undertake the manufacture of printer's ink only or of other products as well? Please enumerate the other products (if any).

4. At what date did your factory commence to manufacture?

5. What is the full capacity of your factory, as at present equipped, for the manufacture of printer's ink?

6. What has been the actual of the output of the factory for each year since manufacture commenced?

7. Where is your factory situated? Do you consider it is advantageously situated in respect of—

(a) vicinity to the sources of supply of Indian raw materials;

(b) vicinity to the coalfields or other sources of power or fuel;

(c) vicinity to an important market;

(d) other considerations such as the existence of an abundant labour supply?

What do you consider the most important factor in selecting the site of a factory for the manufacture of printer's ink in India?

8. Enumerate the principal kinds of ink which are manufactured in your factory. Taking the average of the last five years, what is the percentage of the total output which each kind represents?

9. Do you claim that the ink manufactured by you is equal in quality to the imported ink?

II.—RAW MATERIALS.

A.—Produced in India.

10. Of the raw materials required for the manufacture of printer's ink, please enumerate those which are produced in India. From what parts of India does the factory draw its supplies of these raw materials?

11. What are your annual requirements of each of these raw materials:—

(a) according to your present rate of production (which should be stated);

(b) according to the rate of output equivalent to the full capacity of the plant?

12. What quantity of each of these raw materials is required for the production of one unit of printer's ink? (The customary unit should be taken).

13. Please give the cost per customary unit delivered at the factory of each of these raw materials.

B.—Imported.

14. The following list has been given of the imported raw materials required for the manufacture of printer's ink :—

- (a) American Gas Blacks.
- (b) Vegetable Blacks.
- (c) Pigments of all shades made from aniline and alizarine dyes on metallic bases.
- (d) Metallic pigments comprising Zinc White, Flake White, Alumina White, Chrome Yellow and Green of all shades, Prussian and Bronze Blues, Ultramarine Blues, Ambers, Siennas and similar colours.
- (e) Aniline dyes of all shades.
- (f) American rosin.
- (g) Gums of all descriptions, both natural and synthetic.
- (h) Lithographic varnishes, oleine, etc.

Are there any other important raw materials which have to be imported? If so, please enumerate them.

15. What are your annual requirements of each class of materials specified in question 14 :—

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

16. What quantity of each class of materials specified in question 14 is required for the production of one unit of printer's ink? (If more convenient, the quantities may be given per thousand, ten thousand or hundred thousand units).

17. Are all classes of materials specified in question 14 subject to an import duty of 15 per cent at present? Please indicate the entry in the Tariff Schedule under which each class is dutiable.

18. From what country or countries do you import the materials specified in question 14?

19. What are the current prices for the classes of materials specified in question 14? If possible, please give for each class :—

- (a) f. o. b. price in sterling;
- (b) port of importation;

- (c) freight, insurance, etc. ;
- (d) landing charges ;
- (e) transport charges to factory ;
- (f) Customs duty.

20. What was the total amount paid by you as Customs duty on raw materials in the last three complete years for which figures are available ? What percentage in each year was the Customs duty paid on raw materials : —

- (a) of the total cost of imported materials delivered at the factory ;
- (b) of the total works costs ?

21. It has been stated that Indian rosin is not suitable for the manufacture of printer's ink. Do you agree with this opinion ? If so, please explain fully why Indian rosin is unsuitable. Is it possible that the difficulties which prevent its use could be removed ?

III.—LABOUR.

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

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

24. What progress has been made since the factory was established in the substitution of Indian for imported labour ? Is it anticipated that eventually the employment of imported labour will be unnecessary ? What facilities are given for Indian workmen to acquire training in skilled work or for training apprentices ?

25. How do the rates of wages paid to imported workmen compare with the rates paid for similar work in other countries ?

26. What is the total number of Indian workmen employed, and what are the average rates of wages of the different classes ?

27. Please give for the year 1913-14, and the last complete year for which figures are available :—

- (a) the total wages bill for Indian factory labour
- (b) the average wages per man in the different classes.

The increases in the rates of wages between the two years should be stated, and the dates when they were given.

28. Is the Indian labour force sufficient ? Is it drawn from the vicinity of the factory or from other parts of India ?

29. Has it been found that the Indian labourer improves with training ? How does his efficiency compare with that of workmen in Western countries employed on similar work ?

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

IV.—MARKET.

31. The value of the printer's ink imported into India during the last four years according to the Trade Returns is as follows :—

1920-21	..	..	..	..	..	Rs. 6,88,400
1921-22	..	..	..	..	..	Rs. 3,35,349
1922-23	..	..	..	..	..	Rs. 5,19,739
1923-24	..	..	..	..	..	Rs. 4,89,211

From your knowledge of the prices current at various periods, please estimate approximately the quantities of printer's ink which these values represent.

32. What is the annual production of printer's ink in India, so far as you can estimate it? By what firms (if any) other than the Hooghly Ink Company is the manufacture carried on in India?

33. At the time the Company was established was any estimate made of the annual consumption of printer's ink in India? If so, please state what it was. Do you consider it probable that since then the consumption has increased?

34. What are the most important markets for the printer's ink produced by the Company, and at what distance from the factory are they situated? Is the cost of rail transport an important factor in limiting the ability of the Company to compete in any of these markets?

35. Is the printer's ink manufactured by you purchased by :—

(a) Government and

(b) public bodies such as Municipalities and Port Trusts?

If so, please state the extent of their purchases and the prices paid during

(i) the war period ;

(ii) each of the last five years.

Were the prices received by you during the war the market prices then prevailing?

V.—FOREIGN COMPETITION.

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

37. Please state :—

(i) The prices at which imported printer's ink has entered the country and been sold during :—

(a) 1913-14

(b) 1917-18

(c) 1921-22, 1922-23 and 1923-24.

(ii) The prices realised by you for the same periods.

N. B.—If possible, the f. o. b. price (in sterling) of imported printer's ink should be given and the following items shown separately :—

Freight.

Insurance and trade charges.

Customs duty.

Landing charges.

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

38. From what sources is information obtainable as to the prices at which imported printer's ink enters the country? How far do you consider the information obtained from these sources reliable?

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

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

41. Is the ability of the foreign manufacturer to under-sell the Indian manufacturer in the Indian market attributable to any other causes besides the Customs duty on imported raw materials? If so, please state what these causes are.

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

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

Where possible, definite figures should be given, *e.g.*, comparing the cost of plant and machinery erected in India with the corresponding cost in Western countries, or comparing the wages of imported expert workmen in India with the wages they would draw in their own countries. If there are "seasonal" difficulties in connection with the collection and transport of the raw materials, these should be explained.

43. Which of the disadvantages mentioned in your answer to question 42 do you regard as permanent and which as temporary? For what period in your opinion are the temporary disadvantages likely to operate?

VI.—EQUIPMENT.

44. Do you consider that your factory is sufficiently large as an economic unit of production to ensure economy? What in your opinion is the smallest unit of production which can be operated economically under present-day conditions?

45. Does the manufacture of printer's ink require the use of elaborate and expensive machinery?

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

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

48. Have you, since 1917, adopted any new processes of manufacture, or have you installed new plant and machinery in replacement of, or in addition to, the old plant? If so, give a brief description of them and state whether the results have fulfilled the expectations entertained.

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

VII.—CAPITAL ACCOUNT.

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

- (a) Lands.
- (b) Buildings.
- (c) Plant and Machinery.
- (d) Other miscellaneous assets.

51. Do the figures given in answer to question 50 represent the actual cost of the various assets, or their value after depreciation has been written off? In the latter case, please state the total amount written off for depreciation since manufacture commenced, and in the former case the total of the depreciation fund (if any) which has been accumulated.

52. Apart from any question of an increase in the replacement cost of plant and machinery due to a general rise in the price level, are the sums actually set aside for depreciation since manufacture commenced equal to, greater than, or less than, the sums which ought to have been set aside according to the rates of depreciation which you consider suitable? (See Question 66.)

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

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

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

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

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

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

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

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

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

VIII.—COST OF PRODUCTION.

The cost of production falls under two heads:—

- (a) Works costs, and
- (b) Overhead charges.

The latter head—overhead charges—includes:—

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

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

(a) Works Costs.

61. Please fill up the two Forms annexed to the questionnaire regarding Works Costs.

The following explanations may be useful:—

- (a) The Board are anxious to have as full information as possible regarding the cost of production, but they recognise the difficulty which manufacturers may feel in disclosing to the public the details of their practice and their works costs. Great stress was laid on the importance of publicity in paragraph 303 of the Fiscal Commission's Report, and the Board also have explained the views they hold in paragraph 41 of their Third Report on the Grant of Protection to the Steel Industry. It rests with the manufacturers themselves to decide what information can be given publicly, and nothing will be published which the witness desires to be treated as confidential. At the same time, the Board cannot base their recommendations merely on confidential information. The publication of the details of the works costs of each firm may not be essential because the Board may be able, by comparison of the various figures submitted, to arrive at a standard or average figure for each item. But it is very desirable that the total of the works costs should be disclosed in all cases.
- (b) In Form I the actual expenditure of the year under the various heads should be shown, whereas in Form II it is the cost per unit of output that is desired.
- (c) The years for which figures have been asked for are 1913-14, 1921-22, 1922-23 and 1923-24. If, however, the costs during the first year of manufacture are not regarded as typical, the figures for 1914-15 may be given. For the post-war period, the figures of the last three complete years for which figures are available should be taken.
- (d) The figure given against raw materials, Indian or imported, should be the cost delivered at the factory but excluding, in the case of imported materials, the Customs duty.
- (e) If at any stage of the process of manufacture materials are recovered and can be used again, the credits taken for such recoveries should be entered in Form II, and the manner in which such credits are taken explained.

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

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

(a) conditions are normal,

(b) an output is obtained equivalent to the full capacity of the plant.

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

65. Are you in a position to furnish the Board with information as to the works costs of printer's ink in any competing country for any year since the war ?

(b) OVERHEAD CHARGES.

(i) Depreciation.

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

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

(a) if the assets are valued at cost,

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

The depreciation should be shown separately for :—

Buildings.

Plant and machinery in continuous operation.

Other plant and machinery.

Other assets.

If you consider that rates other than the Income-tax rates should be adopted, please calculate the sums required annually for depreciation at these rates also.

68. Taking the figures given by you in answer to question 53 as the present-day cost of the buildings and machinery required for a factory having the same output as your present factory, calculate the sum required annually for depreciation at Income-tax rates and at the rates you consider should be adopted if you think the Income-tax rates are unsuitable.

69. Taking the total amount of depreciation to be written off according to the various methods given in questions 67 and 68, what is the incidence per unit of production :—

(a) according to the present output of the factory (which should be stated),

(b) according to the output equivalent to the full capacity of the plant ?

(ii) Working Capital.

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

(i) according to its present output, and

(ii) according to the output equivalent to its full capacity ?

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

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

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

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

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

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

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

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

- (i) the annual amount of the Head office expenses.
- (ii) the Agents' commission.

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

79. What is the cost of:—

- (i) Head office expenses
- (ii) Agents' commission

per unit of production according to:—

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

IX.—MANUFACTURER'S PROFITS.

80. What rate of dividend do you consider a fair return on Ordinary and Deferred shares?

81. If your Company contemplated the establishment of a new factory, or the extension of the present factory, what rates of interest do you consider would be necessary to offer on (a) Preference shares and (b) Debentures in order to attract capital, assuming that the profits made in the industry showed a substantial margin after providing the interest on the existing shares or debentures?

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

83. What is the incidence per unit of production of:

- (a) the fair return on the Ordinary and Deferred shares as given in answer to question 80;
- (b) the full dividends on the paid up Preference shares;
- (c) the full interest on the Debentures, in so far as the proceeds of the Debentures have been devoted to fixed capital expenditure and not used as working capital?

N. B.—The figure should be given both on the present rate of output and the output equivalent to the full capacity of the plant.

XI.—CLAIM TO ASSISTANCE.

84. Are you satisfied that, if the existing Customs duty on imported materials were removed, the manufacture of printer's ink in India could be carried on successfully in competition with the imported ink ?

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

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

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

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

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

86. Do you claim that printer's ink industry satisfies either or both of the conditions mentioned in paragraph 98 of the Fiscal Commission's Report, viz.—

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

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

87. Do you consider that the industry is of importance on national grounds and therefore deserves protection apart from economic considerations ?

88. It is stated in the Company's letter to the Government of India in the Commerce Department, dated 12th July 1923, that the Company was established in 1913 "because of the expressed desire of the Government of India to buy Printing Inks manufactured in India." Again in the same letter it is said "We.....were assured that an equal duty would be put on imported inks or that our raw materials would be allowed in free." Finally in the Company's letter dated 9th January 1924 it is said "At that time the Controller of Printing, Stationery and Stamps.....suggested that Printing Inks should be manufactured in India, and to meet his wishes the factory was started....." The Board would be glad to have fuller information regarding the desire expressed by the Government of India, the assurances given by some authority not named, and the suggestions and wishes of the Controller of Printing, Stationery and Stamps; and to be supplied with copies of the correspondence on which the statements quoted above are based.

89. Do you desire that the duties on the raw materials enumerated in question 14 should be entirely removed, or merely that the materials required by the Company itself should be exempted from duty? In the latter case what safeguards would you suggest in order to ensure that the benefit of the concession was limited to the materials actually used for the manufacture of printer's ink?

90. Would an arrangement be feasible by which the Company was granted a rebate of Customs duty on imported materials in proportion to the outturn of printer's ink? For this purpose how are the quantities of imported materials required per unit of output to be determined?

FORM I.

Statement showing the total expenditure incurred on the production of printer's ink during certain years.

(See question 61).

	1913-14.	1921-22.	1922-23.	1923-24.
(1) Indian raw materials				
(2) Imported raw materials without duty				
(3) Customs duty on imported materials				
(4) Labour				
(5) Power and fuel				
(6) Other expenditure				
Total				
Total production of printer's ink for the year.				

FORM II.

Statement showing the works cost per ton of printer's ink.

(See question 61).

	1913-14.	1921-22.	1922-23.	1923-24.
(1) Indian raw materials
(2) Imported raw materials without duty
(3) Customs duty on imported materials
(4) Labour
(5) Power and fuel
(6) Other expenditure
Total
Credit for materials recovered (if any)
Nett total

The Hooghly Ink Company, Limited, Howrah.

A.—WRITTEN.

Statement I.—Copy of representation of the Hooghly Ink Company, Limited, dated 12th July 1924, to the Government of India, Department of Commerce.

In accordance with procedure we state below our reasons why we consider protection should be accorded to printing ink manufacturers.

The Hooghly Ink Company, Limited, was established in 1913 by the Richardson Printing Ink Company, Limited, Gateshead, because of the expressed desire of the Government of India to buy Printing Inks manufactured in India. The latter Company had for several years previously supplied Government requirements from their Home factory.

At that time we were informed it was the Government's policy to encourage local industries. In 1913 the duty on imported printing ink was nil, and on raw materials necessary for its manufacture, the duty was 5 per cent. We pointed out this handicap to manufacturing here, and were assured that an equal duty would be put on imported inks or that our raw materials would be allowed in free.

Since then our position has become worse and worse, and now the duty on imported printing ink is 2½ per cent., whereas the duty on raw materials for its manufacture is 15 per cent. so that the present position of our industry is that the foreign importer is protected against the Indian manufacturer to the extent of 12½ per cent., and it is this injustice we require to be removed.

Our own Company and other Indian firms are in a position to supply the whole of the printing ink used in India, but we cannot compete against German, American and English competition as long as this adverse duty exists.

Paper is an industry analogous to our own and must be used in conjunction with printing ink, but it enjoys the privilege of getting its raw materials in at 2½ per cent. duty whereas the duty on imported paper is 15 per cent. We know of no reason why printing ink should not be treated in a similar manner.

Our factory is equipped with the most modern and efficient plant, and the quality of our manufacture is equal to any foreign printing ink.

We trust we shall be given an opportunity of stating our case before the Tariff Board feeling confident they would appreciate the justice of our request.

Statement II.—Copy of representation of the Hooghly Ink Company, Limited, dated 9th January 1924, to the Government of India, Department of Commerce.

1. We have the honour to bring to your notice that for several years prior to 1913 the Richardson Printing Ink Company, Limited, Gateshead, United Kingdom, supplied printing inks for the use of the Government of India.

At that time the Controller of Printing, Stationery and Stamps, India, following the expressed wish of the Government of India to encourage local industries suggested that printing inks should be manufactured in India, and to meet his wishes this factory was started in 1913 as a branch of the Richardson Printing Ink Company. In 1920, the branch factory was floated as a separate Company under our present designation Hooghly Ink Company, Limited.

In 1913 there was no duty on printing inks whereas duty on the raw materials for manufacturing them was 5 per cent.

We were assured, however, that we would be put on an equality in this matter, but on our taking up the question with Government of India through the India Office we were informed that nothing could be done. Since then our position has become very much worse for whereas duty on printing inks is only 2½ per cent. that on the materials composing them is 15 per cent.

This virtually means that the Government of India instead of assisting this local industry is putting a tax of 12½ per cent. on it thus assisting our German, American and English competitors.

2. We respectfully submit that this is illogical and not equitable and this will be evidenced from the following facts:—

- (a) From the earliest periods of British history in India all considerations of revenue have been subordinated to the needs of education and the spread of Western culture in India. For this reason books, periodicals and newspapers are even now allowed to be imported free of duty.
- (b) For the same reason printing inks, presses, and printing materials of all kinds have been left untaxed until recently and the duty on these goods at the present time is only a nominal one, viz., 2½ per cent.
- (c) Wood pulp, a raw material necessary for the manufacture of paper is admitted free of duty into India but the raw materials used in the manufacture of printing inks are adversely taxed to the extent of 12½ per cent., though printing inks are no less essential than paper for the printing of books for the spread of education.
- (d) The differential treatment meted out to raw materials necessary for the manufacture of paper and those required for the manufacture of printing inks is all the more difficult to understand when it is considered that wood pulp is procurable in India whereas raw materials necessary for the manufacture of printing inks cannot be obtained in this country.

3. Except in the case under reference, the Government of India have all along given special facilities and exemptions from import duties on raw materials for the various Indian industries detailed below:—

- (i) By Notification No. 4708-S. R., dated the 10th September 1894, the issue free of duty of salt to the manufacturers of glazed stone-ware was allowed.
- (ii) Finance and Commerce Department Notification No. 768-S. R., dated the 14th February 1896, allowed the importation free of duty, of certain articles used in the weaving of cotton and in the baling of woven cotton goods.
- (iii) Notification No. 2114-S. R., dated the 20th April 1903, allowed the free issue of salt used in any process of manufacture.
- (iv) Commerce and Industry Department Notification No. 595—98 of 23rd January 1906 allowed all materials required for the manufacture of tea chests to be imported free of duty on the ground that tea chests imported were duty free at that time.
- (v) Bengal Government Financial Department Notification No. 5655-S. R., dated the 26th March 1914, allowed the grant of drawback of duty on imported Soda Ash used by the Magadi Soda Company in the manufacture of soda, crystals, bi-carbonate of soda, and caustic soda for exportation, though such drawback is prohibited under the Sea Customs Act.
- (vi) Government of India Finance Department Notification No. 1669-S. R., dated the 21st August 1923, exempted the Indian Cable Company, Limited, from payment of duty on electrolytic copper rods used by them in the manufacture of electric wires and cables in their factory at Tatanagar.

4. Thus it will be seen that the action of the Government in all cases cited in the foregoing paragraphs forcibly argues in our favour, and that the case cited in sub-paragraph (iv) thereof is on all fours with our case.

Under these circumstances we hope that an order may be passed allowing the raw materials (enumerated below) used in the manufacture of printing inks to be imported at a duty not exceeding 2½ per cent. otherwise we shall be under the painful necessity of closing down our factory here, being unable to compete with foreign manufacturers under the unfair terms imposed on us by the present import tariff.

A list of materials imported for the manufacture of printing inks is attached.

Enclosure.

American Gas Blacks.

Vegetable Blacks.

Pigments of all shades made from Aniline and Alizarine dyes on Metallic bases.

Metallic pigments comprising Zinc White, Flake White, Alumina White, Chrome Yellow and Green of all shades, Prussian and Bronze Blues, Ultramarine Blues, Umbers, Siennas and similar colours.

Aniline dyes of all shades.

American Rosin (Indian Rosin is not suitable for the manufacture of printing inks).

Gums of all descriptions, both natural and synthetic.

Lithographic Varnishes Oleine, etc.

Statement III.—Original representation of the Hooghly Ink Company, Limited, dated 14/16th April 1924, to the Tariff Board.

We have the honour to bring to your notice the reasons why we consider protection should be accorded to Printing Ink Manufacturers.

The Hooghly Ink Company, Limited, was established in 1913 by The Richardson Printing Ink Company, Limited, Gateshead. At that time the Controller of Printing, Stationery and Stamps, India, following the expressed wish of the Government of India to encourage local industries suggested that printing inks should be manufactured in India, and to meet his wishes this factory was started as a branch of the Richardson Printing Ink Company. In 1920 the branch factory was floated as a separate Company under our present designation Hooghly Ink Company, Limited.

In 1913 the duty on imported printing ink was nil, and on raw materials necessary for its manufacture, the duty was 5 per cent. We pointed out this handicap to manufacturing here, and were assured that an equal duty would be put on imported inks or that our raw materials would be allowed in free.

Since then our position has become worse and worse, and now the duty on imported printing ink is 2½ per cent. whereas the duty on raw materials for its manufacture is 15 per cent.

This virtually means that the Government of India instead of assisting this local industry, is putting a tax of 12½ per cent. on it.

Paper is an industry analogous to our own, and must be used in conjunction with printing ink, but it enjoys the privilege of getting its raw materials in free of duty, whereas the duty on imported paper is 15 per cent. We know of no reason why printing ink should not be treated in a similar manner.

Our factory is equipped with the most modern and efficient plant, and the quality of our manufacture is equal to any foreign printing ink.

We have every confidence that the Tariff Board after hearing our case will appreciate the justice of our request.

Statement IV.—Replies to questionnaire, received from the Hooghly Ink Company, Limited, dated 20th June 1924.

INTRODUCTORY.

1. The present Company was incorporated on January 29th, 1920, in London and is a Private Limited Company.

2. There are neither Indian Directors nor Share-holders, but only two Europeans are employed in India, *viz.*, the Managing Director and an Assistant Manager.

3. Printing inks of all kinds only.

4. The factory was started by The Richardson Printing Ink Co., Ltd., one of the Companies associated in the Hooghly Ink Co., in January 1914.

5. With present plant say 480,000 lbs. per year, but this would depend entirely on the qualities of inks made, and should demand much exceed the present output we should instal new machines. The cost of these is only about £300 each. We have therefore in subsequent questions refrained from replying to queries *re* "total capacity of plant."

6.

	Weight.	Value.
	lbs.	Rs.
April 1st, 1914 to March 31st, 1915 . . .	53,742	25,983
April 1st, 1915 to March 31st, 1916 . . .	117,665	51,178
April 1st, 1916 to March 31st, 1917 . . .	133,785	82,584
April 1st, 1917 to March 31st, 1918 . . .	176,875	127,830
April 1st, 1918 to March 31st, 1919 . . .	212,476	1,84,885
April 1st, 1919 to January 31st, 1920 . . .	198,886	1,54,234

As Hooghly Ink Co., Ltd.

February 1st, 1920 to January 31st, 1921 . . .	208,045	1,76,865
February 1st, 1921 to January 31st, 1922 . . .	254,477	2,46,667
February 1st, 1922 to December 31st, 1922 . . .	348,156	3,10,111
January 1st, 1923 to December 31st, 1923 . . .	346,717	2,96,741

7. 427, Grand Trunk Road, Howrah.

(a) Yes, Linseed and mineral oils are obtainable locally.

(b) Yes, electrical power is obtainable.

(c) Yes, the Calcutta market for printing inks is the largest in India.

It is necessary that a printing ink factory should be at one of the ports as otherwise railway freights would have to be paid on all imported materials.

8. Printing inks are of so many kinds that it is difficult to answer this question. Roughly they could be divided as—

Black Newspaper Inks, Letter-press	50%
Better Quality Black Letter-press	25%
Black Lithographic	10%
Coloured Letter-press	10%
Coloured Lithographic	5%

9. Any quality of printing ink can be made in India in every respect equal to a similar imported ink.

II. RAW MATERIALS.

10. *Mineral Oils* from Burma Oil Co.
Linseed Oil from Gourepore Co., Calcutta.
Vegetable Black of our own manufacture.

11. In year ending December 31st, 1923, we used—

Mineral Oil	149,273 lbs.
Linseed Oil	22,241 ,,
Vegetable Black	31,465 ,,

12. It is difficult to answer this question.

Linseed oil in coloured inks may be used in proportions varying from 25 per cent. to 60 per cent. of the completed ink. In black inks it may comprise 50 per cent. of the whole.

Mineral oil in black inks not containing linseed oil may be as high as 80 per cent. or as low as 40 per cent.

13. *Linseed Oil* Rs. 2-12 per gallon which is equivalent to about £45 per ton as against the present London price of £37 per ton. It would pay to import the latter oil were it not that duty is 15 per cent. on a Tariff valuation (*vide* Import Tariff Serial No. 37 in Schedule 75) of Rs. 4-8 per gallon, i.e., nearly 80 per cent. on the London price.

Mineral Oil Rs. 230 per ton, say £15 per ton as against London price for a similar oil £12 per ton. Import duty on such an oil is 7½ per cent. *ad valorem*. It would not pay to import this oil.

14. The list given covers all chief ingredients used.

15. We used the following in the year ending December 31st, 1923:—

(a) American Blacks	27,615 lbs. value Rs. 32,699.
(b) Vegetable Blacks.	4,055 lbs. value Rs. 2,707.
(c) } Pigments and dyes	26,317 lbs. value Rs. 32,457.
(d) }	
(e) }	
(f) Rosin	100,980 lbs. value Rs. 13,899.
(g)	3,581 lbs. value Rs. 1,422.
(h)	13,863 lbs. value Rs. 7,642.

16. As Printer's Inks are so varied and numerous, it is not possible to reply to this question. More than 3,000 different formulas have been made since the factory was started.

17. All classes of materials specified in (a), (b), (c), (d), (e) are subject to 15 per cent. on the c.i.f. price under Schedule II, Import Tariff Serial No. 81, No. in Statutory Schedule 92, with the exceptions under the same section of—

Zinc White 15 per cent. on Rs. 45 per cwt.

c.i.f. price is 49s.

White Lead 15 per cent. on Rs. 35 per cwt.

c.i.f. price is 53s.

Aniline Dyes 15 per cent. on Rs. 2-8 per lb.

(g) and (h) Rosin and Gums come under Serial No. 30, No. in Statutory Schedule 74, Rosin being 15 per cent. on Rs. 16 per cwt., our last purchase being at 14s. 1¼d. c.i.f. Calcutta; duty on the actual invoice amounted to 22½ per cent.

18. England, America, Germany.

19. We give details of three separate invoices of recent date as this appears to be the clearest method of stating the case—

Rosin.

Invoice, dated 16th January 1924.

59,684 lbs. 14s. 1½d. per cwt. nett c.i.f. Calcutta		£376-7-1
	Rs. A. P.	
Landing charges	82	12 0
Transport charges to factory	206	6 0
Customs duty	1,270	7 0

Carbon Black.

Invoice, dated 13th March 1924.

9,375 lbs.		£234-7-6
Freight, insurance, etc		£78-5-11
	Rs. A. P.	
Landing charges	37	12 3
Transport charges to factory	74	0 0
Customs duty	681	12 0

Bronze Blue.

Invoice, dated 10th January 1923.

1,120 lbs. 2s. 2½d. per lb. f.o.b.		£123-13-4
Freight, insurance, etc.		£7-16-10
	Rs. A. P.	
Landing charges	2	0 6
Transport charges to factory	7	10 0
Customs duty	286	13 0
1921. Duty paid Rs. 5,213 on Rs. 38,457		13.5%
1922. Duty paid Rs. 14,827 on Rs. 95,700		15.5%
1923. Duty paid Rs. 16,649 on Rs. 1,00,292		16.6%

21. Indian Rosin has so far proved quite unsuitable for the manufacture of Printer's Inks though several "Special" lots have been made for us at the Factory at Jallo. Indian Rosin is obviously different in its chemical properties from American as inks made with it instead of remaining semi-liquid, become crystalline. It may be possible to remove the defect but we know of no means by which it can be done though we have tried several.

III. LABOUR.

22. No.

23. None.

24. We have always employed Indian Labour supervised by Bengali Babus. The latter by continual contact cannot fail to acquire a knowledge of the business.

25.

26. This question is answered by No. 27.

1914-15.

27. Wages (about twenty coolies) . Rs. 2,272-14-9 average Rs. 10 per month.

Salary of one Factory Babu Rs. 2,100 average Rs. 175 per month.

Rs. 4,372-14-0.

1923.

Wages (about thirty-five coolies) Rs. 9,901 average Rs. 23-8 per month.

Salary of five Factory Babus Rs. 8,394-6-0 average Rs. 140 per month.

Rs. 18,295-6-0.

Annual increases have been given.

28. Yes to both questions.

29. Yes, the copoly improves with training, but does not compare well with workmen in England.

Fortunately the machines he has to deal with are nearly fool proof.

30. None.

IV. MARKET.

31. Quantities would entirely depend on qualities. Our average nett selling prices were—

1920	As. 12'9 per lb.
1921	As. 16 " "
1922	As. 13'57 " "
1923	As. 13'15 " "

32. We believe that there are small Indian factories in Lahore, Cawnpore, Poona and Calcutta, but have no idea what is their output. Our output for the year ending December 31st, 1923, was 346,717 lbs value Rs. 2,96,741.

33. In 1913 it was not possible to obtain figures of imported Printing Inks, but we have no doubt that the consumption of inks has greatly increased. This particularly applies to coloured inks as colour printing has developed rapidly during the last five years.

34. Calcutta, Rangoon, Madras, Bombay, and Lahore are the chief centres. Though rail freights are high we are not handicapped against imported inks in this respect. Consignments for Madras and Bombay are shipped to avoid these heavy charges.

35. We believe we have supplied almost the entire requirements of all Government Presses throughout India since 1915. The following are the extent of Government purchases, but owing to the variety of inks bought it is not possible to give details. Inks both now and during the war period were supplied at competitive prices.

	Rs.
1914 to 1918	1,18,779
1919	49,233
1920	43,914
1921	57,767
1922	40,613
1923	47,233

36. Germany, England, America.

37.

1913-14	. . .	As. 3 p. 6	per lb. up to Rs. 10 per lb.
1917-18	. . .	As. 7	per lb. up to Rs. 20 per lb.
1921-22	. . .	As. 8	per lb. up to Rs. 15 per lb.
1922-23	. . .	As. 7	per lb. up to Rs. 15 per lb.
1923-24	. . .	As. 5 p. 6	per lb. up to Rs. 15 per lb.

We have taken the lowest prices for the various years. The highest prices given are nominal. Our prices during the periods were similar.

38. We are kept in touch with home markets by our London Office and with local conditions by our selling Agents.

39. No.

40. Madras and Bombay.

41. No, except in the case of certain German quotations which are lower than English prices.

42. The answer to each of the questions (a), (b), (c), (d), (e), (f), (g) and (i) is "No."

The answer to (h) is "Yes."

43. The disadvantage we suffer will be permanent until either the duty on imported inks is raised to 15 per cent. or the duty on raw materials is removed.

VI. EQUIPMENT.

44. Yes in answer to the first question. It is difficult to reply to the second.

45. No, the machinery is simple and inexpensive.

46. 29.5 per cent.

47. Yes, all our machinery is of the most modern type.

48. Yes, new machines have been installed but these are similar to machines we used prior to 1917. The type of grinding mills used by Printing Ink Makers has varied only in detail and is in principle the same as was used 30 years ago.

49. The machines have not as far as we are aware been made in India.

VII. CAPITAL ACCOUNT.

50. (a) Leased.

(b) Leased.

(c) Plant Rs. 67,310.

(d) Miscellaneous Assets Rs. 89,000.

51. Value at December 1923. Depreciation written off from February 1st, 1920, to December 31st, 1923, on Plant was Rs. 21,976.

52. We depreciate at 7½ per cent. on the cost which is in accordance with Home practice.

53. The cost of operating a new Factory should be no more than our own, but we regret we are unable to state what would be the cost of equipping a new Factory.

54. (a) £30,000.

(b) £20,000 ordinary shares £1 fully paid.

There are no Preference or Deferred Shares.

55.

56.

57. (a) £20,000.
 (b) 1920. Nil.
 1921. Nil.
 1922. 7½ per cent. free of Income-tax.
 1923. 7½ per cent. free of Income-tax.
58. 3¼ per cent. free of Income-tax.
 59. None.
 60. £1,253.

61. We have filled in the forms to the best of our ability, and have given figures for the year 1915-16 in column 1 as the first year of work 1914-15 was not typical. We regret that we have destroyed our records and cannot give details of this year, so have taken the figures from the Profit and Loss Account only. In every case we have omitted Income-tax which we always include in our Profit and Loss Account. It will be noticed that there is a big shrinkage in Gross Profit between the years 1922-23 and 1923-24 owing to reduced prices and keener competition in the latter year. This is intensified in the current year.

FORM I.

Statement showing the total expenditure incurred on the production of printer's ink during certain years.

	1915-16.	1921-22.	1922-23.	1923-24.
	Rs.	Rs.	Rs.	Rs.
(1) Indian raw materials	} 25,074	} 39,070	} 40,360	} 44,259
(2) Imported raw materials without duty.				
(3) Customs duty on imported materials				
(4) Labour	5,150	12,039	17,247	18,295
(5) Power and fuel	3,310	5,694	6,943	8,093
(6) Other expenditure	22,408	87,790	1,22,170	1,21,398
TOTAL	55,942	2,04,813	2,57,874	2,64,152
Total production of printer's ink for the year.	51,178	2,46,667	3,10,111	2,96,741

FORM II.

Statement showing the works cost per ton of printer's ink.

	1915-16.	1921-22.	1922-23.	1923-24.
	Rs.	Rs.	Rs.	Rs.
(1) Indian raw materials	538	344	259	286
(2) Imported raw materials without duty.		483	400	403
(3) Customs duty on imported materials		44	57	62
(4) Labour	110	105	110	118
(5) Power and fuel	71	50	44	53
(6) Other expenditure	481	722	786	784
Total Credit for materials recovered (if any).	..	..	..	..
NETT TOTAL	1,200	1,748	1,656	1,706

62. No; but had output been increased overhead charges as we reckon them, such as office salaries, rent, selling charges, etc., would have been automatically reduced. These items have as requested been included in "Works costs."

63. No.

64. We regret that though we have our method of costing we have no costing sheets we can now send. We are ready however to show the Board in Simla our "Ink Making Account" but do not wish to have this published.

65. We regret that we are unable to do this as we have not the information here.

66 to 69. Income-tax authorities allow 7½ per cent. on electric motors and 5 per cent. on other machinery on the depreciated value.

We depreciate in our accounts at 7½ per cent. on the original value of all machinery. As the amount of depreciation is not large it does not affect the point at issue. We actually included Rs. 6,634 in our accounts for the year ending December 31st, 1923, but were allowed only Rs. 5,106 by the Income-tax authorities.

WORKING CAPITAL.

70 to 73. We have all the working capital required for the present and considerably increased output.

Should more be required this would be provided by the Associated Companies.

74. Stocks of finished inks are always small. We prefer to manufacture as orders are received as inks do not improve with age.

The stocks at December 31st, 1923, were Rs. 3,140.

Average payment is about three months.

75. Stocks of material at December 31st, 1923, were Rs. 66,800.

76. A London Office but no Managing Agents.

77. About £450.

78.

79. (i) 24d. per lb.

80 to 83. The capital required by a Printer's Ink Factory is small and we consider that the return on this should be at least 15 per cent.

We have adequate capital and should more be required for extensions it would be forthcoming from the associated Companies if they were getting an adequate return on their present investment.

XI. CLAIM TO ASSISTANCE.

84. Yes.

85A. With the spread of education it is obvious that printed matter will be more and more required when one considers the population of India. More printed matter would naturally require more Printer's inks as the tendency is for more printing to be done in India and less printed matter to be imported. Labour and power are easily obtainable, but it would be necessary to continue to import materials. In England the bulk of materials are imported.

B. Given equality, i.e., import of material at the same rate of duty as the manufactured ink or 15 per cent. on to imported inks, there is no reason why the industry should not develop.

C. Unless imported inks were "dumped" at cost prices there is no reason why the industry should not be able to face any normal and healthy competition.

86A. In such an industry increased production cannot fail to help economy of production inasmuch as it reduces overhead charges.

B. There is no reason why the whole requirements of India should not be manufactured in India.

87. From the Printer's point of view it is obviously to his advantage to be able to obtain a special ink suitable to his particular requirements.

This he would frequently be unable to get from an importer and were it to be obtained from Europe several months would elapse before delivery could be given. A factory in India gets over this disadvantage. We know of no other country in the world which has not at least one Printing Ink Factory.

88. We regret that we cannot give you the particulars you desire in this paragraph until we have communicated with our Chairman in London.

The Chairman who visited India in the cold weather of 1910-11 decided on the information then acquired to start this Factory as a branch of The Richardson Printing Ink Co., Ltd., Gateshead and London.

89. We desire that the duties on the materials mentioned when required for Printing Ink making should be removed, or that 15 per cent. duty be placed on imported inks. This is not asking for protection but only equality.

From our Company's point of view as all materials named are used only for the manufacture of Printer's Ink we would give any required guarantee that this was the case and our books could at all times be open to the fullest inspection by the Customs officials.

90. As there is an average loss of 5 per cent. between materials used and the resulting ink, we do not think that this proposal would be fair.

B. ORAL.

**THE HOOGHLY INK COMPANY, LIMITED,
CALCUTTA.**

**Evidence of Mr. E. Richardson, Managing Director.
Recorded at Simla on the 1st July 1924.**

President.—Mr. Richardson, you represent the Hooghly Ink Company, I understand.

Mr. Richardson.—Yes.

President.—Are you the manager?

Mr. Richardson.—I am the Managing Director.

President.—In answer to Question 4 you say “the factory was started by the Richardson Printing Ink Company, Limited, one of the companies associated in the Hooghly Ink Company in January 1914.” Are there several companies combined in the concern as it stands at present?

Mr. Richardson.—There are three: Messrs. A. B. Fleming & Co. of Edinburgh, Messrs. B. Winstone & Sons of London, and the Richardson Printing Ink Company, which is my own Home company. I am a Director of that too.

Mr. Ginwala.—And the others, have they got their works here?

Mr. Richardson.—My firm, the Richardson Printing Ink Company, started this factory in 1914. Messrs. A. B. Fleming & Co. were also considering the starting of a factory here, but instead of starting a separate factory they came to an arrangement with us. The present position is that the Richardson Ink Company owns half the shares, and the other two firms one-fourth each.

Mr. Ginwala.—Are the inks sold in their name or in your name?

Mr. Richardson.—All the inks are sold in the name of the Hooghly Ink Company, but there are occasions when we get a firm out here which has a prejudice against Indian-made inks, and says “we want Fleming’s inks.” I have the option to send the order Home and in such a case the inks come in the name of the actual maker.

Mr. Ginwala.—Any ink you make is sold in the name of the Hooghly Ink Company?

Mr. Richardson.—We may be asked for a particular ink made by one of the three companies and we give the same name. We produce exactly the same ink, but that will be sold under our name.

President.—In answer to Question 5 you tell us that it is rather difficult to say what the full capacity of the plant is, and you give an approximate figure of 480,000 lbs. Would it be possible to say what the capacity of one machine is and how many machines you have?

Mr. Richardson.—In this question what I thought was that printer’s ink was alluded to as being more or less one particular item. We make thousands of different kinds. A machine that will make, say, 400 lbs. of one particular ink in a day, will only make say 50 lbs. of another sort. It depends entirely on the particular kind of ink manufactured. I say that, if we push the plant by working overtime, we could probably turn out 480,000 lbs., but I do not think we would try to do it. For one thing we prefer out here to execute against orders. We manufacture as little for stock as possible.

President.—I see your difficulty. How many machines have you at present?

Mr. Richardson.—13 machines.

President.—Your outturn in the last two years 1922-23 is pretty near what you consider a reasonable output of the plant, but would it be increased without pushing the plant too hard?

Mr. Richardson.—I consider this almost as much as we would expect from the plant. We could push it by overtime and by speeding up of machines.

President.—You consider your present production a fair output for the plant you have?

Mr. Richardson.—Yes.

President.—If you got that output from a similar plant in England, would you be satisfied?

Mr. Richardson.—Quite. These machines are inexpensive and we have always added to the machines when we wanted more.

President.—In answer to Question 10 you say that you get your mineral oils from the Burma Oil Company. Is that ordinary kerosene?

Mr. Richardson.—No. They are heavier lubricating oils; I think that is the proper name. We do not use kerosene oil at all.

Mr. Ginwala.—Is this oil used in the process of manufacture?

Mr. Richardson.—Yes, in the cheaper black inks. At Home they use American oil, but the Burma Oil Company produce a similar, if not absolutely similar quality, which is quite near enough.

Mr. Ginwala.—What are these oils like?

Mr. Richardson.—It is a cheap, heavy lubricating oil such as is used for a motor car. The great thing is that it has to have high viscosity. We have to stiffen them up by the addition of rosin.

President.—It would appear from the figures you have given us in answer to Question 11 that the bulk of your output is the cheaper kind of inks of which mineral oil is the base, and that you produce less of the more expensive kinds of which linseed oil is the base.

Mr. Richardson.—That is a thing which is changing. The use of coloured inks in India is growing very appreciably. There is a tremendous difference since I came out in 1913.

President.—For what sort of publications is the coloured ink used?

Mr. Richardson.—For publications similar to the English papers.

President.—In India?

Mr. Richardson.—In India they are beginning to produce magazines on a larger scale in which they employ coloured illustrations.

President.—Are you speaking of vernacular publications?

Mr. Richardson.—Yes. They are produced in several Indian presses in Calcutta, and the colour printing is called three-colour work. I have seen some which is equal to the Home production.

President.—For inks of that kind you require linseed oil as a base?

Mr. Richardson.—Yes. There is also a large use of coloured inks in posters. When I came to Calcutta I never saw posters in the streets, but now you find them all over the walls.

President.—In answer to Question 13 you consider apparently that the present tariff valuation of linseed oil is too high.

Mr. Richardson.—Yes.

President.—Has there been in the last few months a marked drop in the price of linseed oil? You have told us that the tariff valuation of linseed oil is Rs. 4-8 per gallon whereas you can purchase it at Rs. 2-12 a gallon. Has there been any marked drop in the price?

Mr. Richardson.—I do not think so. I have just heard that the price in Calcutta is going up again. It is a very fluctuating market.

President.—Is there much importation of linseed oil into India or is it the domestic produce that is cheaply used?

Mr. Richardson.—I saw the Managing Agent of the Gourepore Company. He tells me that though the price of the home oil has risen recently, it is imported.

President.—Do you regard this difference between the tariff valuation and the market price as temporary?

Mr. Richardson.—Ever since I have been in India prices in Calcutta have always been higher than prices in London, and if there was no tariff it would pay us to bring out the oil.

President.—The point is that on the figures you have given it looks as if the valuation is not correct at present.

Mr. Richardson.—It is certainly too high.

President.—And that strictly speaking it ought to be reduced. But for how long has this state of affairs existed?

Mr. Richardson.—I cannot tell you how long.

President.—That is why I asked you whether there had been a recent drop in the price. The last valuation was made in December.

Mr. Richardson.—I bought linseed oil in September at Rs. 2-12 a gallon.

President.—Presumably no action can be taken till the time for the valuation for next year comes round.

Mr. Richardson.—Of course, I don't want to import linseed oil; I should much prefer to buy it in the country.

President.—Would there be much to choose in the price between the imported oil and the Indian oil, even if the rate of duty were considerably reduced?

Mr. Richardson.—The price would probably come out £4 a ton cheaper if there was no duty at all.

President.—That is another matter. What I was thinking was that the present duty, as far as I have worked it out, comes to nearly £11 a ton. If the valuation were corrected, it might work out to £7 a ton. Then, on the price given, it would not really pay you to import.

Mr. Richardson.—No. But it is just one of these things that puts us in a difficult position as against the Home manufacturer.

President.—I quite understand that. In the case of mineral oil apparently the price in India is higher than the price in England?

Mr. Richardson.—Yes, it has always been.

President.—I take it that the oil companies fix the price on the principle of getting as much as they can?

Mr. Richardson.—They base the price on the imported price.

President.—Of course, there is a certain incongruity in the fact that prices in places near the source of supply should be much higher than in a place 6,000 miles away.

I notice in answer to Question 11 you say you use Vegetable Black of your own manufacture, but you have also imported a certain amount of Vegetable Black. Is that some special quality which it was not worth your while to make in India, or was it a kind that could not be made in India?

Mr. Richardson.—We cannot make the very best quality, and we also bring out a certain quantity as an insurance in case anything goes wrong with the Black-manufacturing plant. At the moment I have got a couple of tons of Home Black as an insurance against the risk of anything going wrong with our plant.

President.—Turning now to Question 15, are the pigment and dyes that you use required only for coloured inks or also for black inks?

Mr. Richardson.—We do use a certain amount in the black ink for what we call toning them. No black is absolutely true black and they all have a

rather brown tint, and to counteract this we put in blue. As a matter of fact we use a considerable quantity of pigments in black inks. The amount put in depends entirely on the price.

President.—In your answer to Question 17 I notice that the tariff valuation on white lead seems to be rather different from the current price. But in this case apparently it is valued too low, so that there is certain compensation for the higher rate on the other things.

Mr. Richardson.—These two ratings are probably on the pre-war value when the price of zinc was much higher than lead. In that paragraph there are certain other things, e.g., rosin. That is a thing which we use very much in the cheaper inks: it is only used in the black inks, but it is a thing which affects the cost very much indeed.

President.—I see. I was working out the rates you have given us in the invoices in answer to Question 19. I see that the landing and transport charges vary considerably between the different things. In the case of rosin the landing charges are Rs. 3 a ton, and the transport charges to the factory about Rs. 7-8 a ton, whereas in the case of the carbon blacks the corresponding charges are Rs. 9 and Rs. 18, and in the case of bronze blue Rs. 4 and Rs. 15 respectively. I can understand that the sea freight would be higher on the more expensive goods, but why should the landing and transport charges vary? Is there any particular reason?

Mr. Richardson.—Carbon black is an extraordinarily bulky substance. It is not here a question of weight, it is the number of cases that count. You will notice that the price of 9,375 lbs. of carbon black is £234-7-6 while the freight is £78-5-11. You will see how very high the freight is in proportion to the value. The freight is always very heavy on carbon black owing to the bulk.

Mr. Ginwala.—They charge by measurement I suppose?

Mr. Richardson.—Yes, entirely.

President.—I notice from your answer to Question 20 that, though some of these valuations may be wrong, the percentage you pay on the average is not so very wide of 15 per cent.

Mr. Richardson.—No, it is not.

President.—Where is Jallo, which is mentioned in answer to Question 21?

Mr. Richardson.—It is near Lahore.

President.—Is rosin made in more than one place in India?

Mr. Richardson.—Yes. It is also made in a place called Bhawali near Naini Tal. We have also had rosin from there. There is no question to my mind that it is different rosin from the imported stuff, though it produces turpentine. It is quite different from the American rosin when used in the same way. Indian turpentine is quite satisfactory, but the rosin is no good for our purpose. There is, of course, one way in which Indian rosin might be improved in quality, that is by adding an ingredient called oleine, but it would bring the price to the level of the American rosin.

President.—In answer to Question 27 am I right in understanding that the number of coolies given there is the total number of men you employ.

Mr. Richardson.—That is the actual staff employed in manufacturing ink in the factory.

President.—It means that to get your output you require a comparatively small number of men?

Mr. Richardson.—Yes, a very small number of men.

President.—If you had a factory in England with approximately the same output, would you be employing fewer men or about the same number?

Mr. Richardson.—Fewer. Two men can look after three machines very easily, but here you need three men to two: that is, if you have got very good coolies. These figures are average.

President.—In the British factory, I take it, the total wages bill would be higher than your wages bill in India?

Mr. Richardson.—Yes. If you reckon the workmen only, but with the supervision and the factory Babus it brings up my average works charge to two annas a pound against 3½ annas a pound in England, so that in that respect we have some advantage.

President.—In Question 31 what we wanted to know was, if possible, the quantities of printers' ink imported into India. What you have given us is the average price that you realised for your ink for those periods?

Mr. Richardson.—Yes.

President.—Do you think it would be reasonable to assume that the average price of the imported ink would be about the same as the price you were getting?

Mr. Richardson.—I think it would be a little higher, because at that time we were making nearly all the cheap newspaper printing inks.

President.—The figures that you have given are for the last four years?

Mr. Richardson.—At the end part of 1923 we were doing more in the better qualities of ink, but before that I think it was nearly all cheaper ink.

President.—The figures you have given must be for the better qualities of ink, and the prices would probably be rather higher?

Mr. Richardson.—Yes.

President.—On the basis that the average price of imported ink was the same as your price, it would mean that 600,000 lbs. would be the imports in each of the last two years?

Mr. Richardson.—Yes.

President.—But if a higher price is taken, the imports would come to 500,000 lbs. We were trying to ascertain what proportion of the total consumption of India you are at present supplying. Apparently it is something less than half, perhaps 2/5th or somewhere in that neighbourhood.

Mr. Richardson.—Yes.

President.—Supposing you supply ink of precisely the same quality as the imported ink, are you able to get the same price?

Mr. Richardson.—We sometimes do, but we expect, because it is made in India, to get rather a lower price.

President.—What percentage would it amount to?

Mr. Richardson.—5 to 10 per cent.

President.—In answer to Question 34 you say "Calcutta, Rangoon, Madras, Bombay and Lahore are the chief centres. Though rail freights are high we are not handicapped against imported inks in this respect." But surely you must be able to realise a higher price in Calcutta than you can in Bombay, or at least the amount that actually reaches you must be greater in the case of your sales in Calcutta than on your sales in Bombay?

Mr. Richardson.—We actually get a lower price in Calcutta. We have to make a difference of about half an anna on the sea freight. The sea freight works out to about half an anna a pound.

Mr. Ginwala.—Can you always get freight?

Mr. Richardson.—There may be a delay of a week or ten days, not more. We have agents there, and we arrange to send in bulk, and if there is urgency we send by rail, but, of course, the railway freight is heavy.

President.—Would you be able to give us any sort of idea of the proportion of your output you can dispose of in these ports. Would it be half of what you dispose of in Calcutta.

Mr. Richardson.—It would be about 50 per cent. in Calcutta, including up-country.

President.—Would that include Lahore, for instance?

Mr. Richardson.—Yes. The other 50 per cent. would go to Bombay, Madras and Rangoon.

President.—What would be the freight from England on Printers' Ink?

Mr. Richardson.—I think about 60 shillings a ton.

President.—I want to compare that with what you have to pay to get to these markets.

Mr. Richardson.—With the forwarding charges it would come to very nearly half an anna a ton.

President.—That is to say, for about half your market you have an advantage over the importer of roughly about half an anna. In the case of Bombay, Madras and Rangoon, you have to pay the same amount that they have to pay.

Mr. Richardson.—Yes.

President.—I notice from your answer to Question 35 that the percentage of your output that you sell to Government has been decreasing. In 1919 you sold about 35 per cent., in the following year about 32 per cent. The figure fell to 13 per cent. in 1922, and rose slightly to 16 per cent. in 1923. I take it that means that you are getting a firmer hold upon the general market?

Mr. Richardson.—Yes.

President.—And this shows that your business is steadily improving?

Mr. Richardson.—Yes, until the last six months. Up to the end of June our sales have dropped considerably.

President.—Is that due to cheap Home prices and particularly German prices?

Mr. Richardson.—When I sent this in I was not certain about the German prices. I was informed from Home that they could not possibly compete, but four days before I came up here, I got a German list from my selling agents which had been just received. That shows prices which the Home makers cannot look at, and rather confirms the prices that I had heard of.

President.—How do they compare with the prices that you have been hitherto getting?

Mr. Richardson.—Much lower.

President.—Before the war were there considerable imports from Germany?

Mr. Richardson.—I have not much experience of it, but in the Punjab certainly. They used to send a good deal there.

President.—This invasion of the market by Germany is a feature of the last few months?

Mr. Richardson.—Yes, particularly so in the last three months.

President.—In answer to Question 37 you have given us the range of prices at which imported ink entered the country, but we cannot make much use of it—3 annas to Rs. 10 per lb. No inference can be drawn from these figures. It would be useful if you could give us some practical illustrations of these fall in prices.

Mr. Richardson.—(Shows a list of prices.) There is the case of coloured ink. The cheapest English coloured red ink is 1s. 9d. a pound. The cheapest one that Germany can supply is 1s. a pound. It is very difficult to compare the two things, but the German products are generally good.

Mr. Ginwala.—How are we going to find out that you are at a disadvantage as compared to your foreign competitors?

Mr. Richardson.—I have got to buy my colours largely from Germany.

Mr. Ginwala.—That is a different matter altogether, with which we shall deal later on. Supposing you were asking for protection instead of the removal of this duty. We should first have to satisfy ourselves that the foreign manufacturer was underselling you, and if we were satisfied we might recommend protection, that is to say, a scheme under which you get the difference between the price at which the foreign article is sold and the price at which you can sell at a reasonable profit. But here we have no data as to how you are being undersold?

President.—If we had the quantities as well as the prices quoted in the trade returns, it would be something, although it would not be very much. We have not got even that, nothing, indeed, except a catalogue like the one which you have shown to us with your own prices entered alongside for comparison.

Mr. Ginwala.—Don't you have to tender for the ink you supply to Government?

Mr. Richardson.—Yes.

Mr. Ginwala.—Did you at any time lose because you were underquoted by a foreign manufacturer?

Mr. Richardson.—The only time I have ever tendered is this year and I have got the contract. I know there was a competing firm, but I do not know if they knew what particular inks they ought to put in. I was in a fortunate position of knowing what they wanted. I know my prices would compare favourably with foreign prices, but I cannot say that the German manufacturers could not undercut me if they wanted to. But to know what a man wants is the chief thing.

Mr. Ginwala.—The position is this. Even assuming that you have to pay on your raw materials a higher rate than on the finished imported article, if it is found that you can reasonably compete against the foreign manufacturer and afford to pay duty to the Government, your case is rather weakened, is it not?

Mr. Richardson.—If we were making a good profit, I don't suppose we should apply for anything. If one could sell more of better inks the profit is higher and one can stand the duty, but the chief market is for very cheap inks. Two years ago I had all the news ink trade in Colombo but I cannot get any now. That is cut out entirely by the price.

Mr. Ginwala.—Supposing you got all these raw materials duty-free, and even then the German manufacturer continued to send out things, would you be able to compete?

Mr. Richardson.—I would not be able to compete in the cheapest things.

President.—There is this difficulty in dealing with the point that the German competition is a recent development; it is not mentioned in your representation. What is roughly your production for the last six months?

Mr. Richardson.—I think about a lakh and a half.

President.—That would be about 50,000 lbs. less for a full year?

Mr. Richardson.—Yes.

President.—That is something. It is not as yet a fatal decrease.

Mr. Richardson.—I have not got the figures out yet for the last six months, but there will be very little profit on that outturn.

President.—Have you formed any opinion as to the causes of this German competition and how long it is likely to last?

Mr. Richardson.—I don't understand the German exchange and how they work out prices. But I don't suppose that they are doing it at a loss.

President.—I don't understand that either. It is for you to advise us in the first instance.

Mr. Richardson.—I would not like to express any opinion on it.

President.—You are not yet in a position to say that it is likely to be permanent or only temporary?

Mr. Richardson.—I am not in a position to say anything definite about it.

President.—On that basis, it is very difficult for the Board to deal with this particular matter.

Mr. Richardson.—That is a difficult matter. I do not for a minute expect that Germans are losing money on these prices. I don't think that that is their method. They might be doing so just to get the market.

President.—That is just it. They might be underselling you by more than is absolutely necessary in order to get quickly on to the market.

Mr. Richardson.—One thing I can tell you, and that is I wrote back Home three months ago mentioning that I had heard of these various prices, and that I was unable to confirm them. I said that I had been told by my selling agents that such and such was the price, and my Head Office wrote and got into touch with the German Ink Manufacturing firms who said that those prices were absolutely ridiculous, that inks could not be manufactured at those prices, and perhaps that they were the realised prices of goods, rejected and sold at any price. But then I got this list which upsets their arguments altogether.

President.—It is almost impossible to understand the conditions in Germany at present.

Mr. Richardson.—The biggest German manufacturing firms say that at these prices inks could not be manufactured, and that they are feeling British competition in Germany. I may tell you that one of the reasons why I ask that raw materials should come in free rather than the alternative that the duty on ink should be raised to 15 per cent., is to allow me to trade outside India. If I had only 15 per cent. duty on the imported ink, I would be in a better position as far as India is concerned than I would be in getting raw materials at 2½ per cent. but I would be in a worse position outside India.

Mr. Ginwala.—Of course, we have not adopted the system on a large scale here of giving a rebate on exports. Take America, for instance. If you are exporting a manufactured article in which you use imported materials on which duty has to be paid, either you have to manufacture it in a bonded house or they give a rebate. That question does not arise.

President.—What you ask for can be done by way of rebate, but it would not be a rebate on export. It would be a rebate on everything you produce.

Mr. Ginwala.—I was only dealing with exports.

Mr. Richardson.—Quite.

President.—In answer to Question 44 you say that the second part of the question is difficult to answer. Taking the works of the three firms in the United Kingdom and the Hooghly Ink Company, what would be the approximate outturn of each? I want to get an idea of the sort of output of a British factory.

Mr. Richardson.—I think that my own firm has a turnover of £60,000 a year.

President.—Your outturn is £20,000, and the outturn of one of the three British firms is £60,000.

Mr. Richardson.—Yes. The outturn of the other two firms would be considerably higher.

President.—Your factory at Calcutta would be regarded at Home as a very small one?

Mr. Richardson.—Very.

President.—It would not be possible, I suppose, to go much lower than that?

Mr. Richardson.—I agree.

President.—Question 46 was “What percentage of your total capital outlay has been incurred on plant and machinery” and you say “29·5 per cent.” That would mean a total capital outlay of about Rs. 3,70,000. In your answer to Question 50, you say that Rs. 67,310 is the cost of your plant as it stands at now in your book, but your total of plant and miscellaneous assets comes to about Rs. 1,56,000.

Mr. Richardson.—Yes.

President.—So that I don't understand how you have got this 29·5 per cent.

Mr. Richardson.—I took what we actually spent from the time of formation.

President.—What we are getting at is, what figure have you taken in giving your answer to Question 46?

Mr. Richardson.—I took the value of the plant as given in answer to Question 50, that is Rs. 67,310, and to that I added the amount of depreciation written off from February 1st, 1920, to December 31st, 1923, viz., Rs. 21,976 as given in answer to Question 51. That comes to over Rs. 90,000 on plant.

President.—That would mean that your capital outlay was about three lakhs altogether?

Mr. Richardson.—Yes.

President.—What is included in that four lakhs?

Mr. Richardson.—£20,000 capital.

President.—That would be about three lakhs.

Mr. Richardson.—Yes.

President.—What I wanted to get at was this: you have got Rs. 90,000 under the head plant and machinery which is 29·5 per cent. of your total capital. The only other thing is about another Rs. 90,000 under the head miscellaneous assets.

Mr. Richardson.—The rest is cash.

President.—The rest is your working capital?

Mr. Richardson.—Yes.

President.—Practically the whole of your capital is £20,000, which is roughly about Rs. 3 lakhs. Apart from what you set aside for reserve, or any money allowed for depreciation and not yet actually spent on renewals, you have got no other source of capital?

Mr. Richardson.—No.

President.—In the last two years you have actually succeeded in paying a dividend of 7½ per cent.?

Mr. Richardson.—Yes. It may interest you to see the actual profits made for various years since we started (handed in a statement to the President).

Mr. Ginwala.—In your answer to Question 58, you have given an average of 3½ per cent. dividend.

Mr. Richardson.—Yes.

Mr. Ginwala.—You paid dividends for seven years out of ten years, and for three years you did not pay.

Mr. Richardson.—No. Before 1920, the profit was simply transferred to the Richardson Printing Ink Company at Home. They paid a dividend, but I cannot say what it was. The Indian business was not kept separate at all.

Mr. Ginwala.—You have not made much profit at all in the manufacture of inks?

Mr. Richardson.—That is my point. The profit is very small indeed.

President.—As regards your reply to Question 61, "other expenditure" is much the biggest item. Would it be possible for you to give us the important items that go to make up the item, such as office and factory rent, salaries, etc., so as to give us a little idea about it?

Mr. Richardson.—I have got my balance sheets here, but it would take a little time to give you that.

Mr. Ginwala.—In your balance sheet, you have given all your works cost?

Mr. Richardson.—Yes.

Mr. Ginwala.—Can you extract it for us?

Mr. Richardson.—In the profit and loss account we have got an ink-making account. That only includes actual works wages, not salaries of Babus who are permanent men.

President.—It is quite evident that our particular classification which we adopted, and which we are using in all our enquiries is not particularly well adapted to your industry, and the result is that the "other expenditure" swells up to half the total. If you can let us have the principal items making up the bulk of it, it would be useful.

Mr. Richardson.—I can give you copies of the profit and loss account as we issue it. My profit and loss account shows that we have given commission of Rs. 39,000.

President.—Is that commission paid to your selling agents?

Mr. Richardson.—Yes.

President.—That is the biggest item there?

Mr. Richardson.—Yes.

President.—It would come to 15 per cent. of your total expenditure?

Mr. Richardson.—Yes.

President.—I find that the "other expenditure" which was Rs. 1,20,000 in 1923-24 came to 46 per cent. of your total expenditure.

Mr. Richardson.—Yes. That is a big item out here because selling in India is done in two ways. Roughly one-third of my trade is with Government Departments and private presses and it is done direct. The rest has to be done through selling agents to whom I give 17½ per cent. discount. They subdivide it with bazaar people. I don't know where it goes to but it is necessary. I can give you a resumé and send it up.

Mr. Ginwala.—Does this "other expenditure" include depreciation?

Mr. Richardson.—No. I cut out from these figures depreciation and income-tax which we show. I thought that you would not want these things to be included.

President.—It appears that your selling charges, the salaries and wages which are included in the "other expenditure," and possibly also rent and taxes would be the most important items. Are your London office expenses included in that?

Mr. Richardson.—We cut these out. They are very small.

President.—As regards the working capital, I think that comes out of your total capital, £20,000?

Mr. Richardson.—Yes.

President.—Taking the value of your output for the year at Rs. 3,00,000, the value of three months' output comes to Rs. 75,000, and similarly your stocks of materials would be about another Rs. 75,000. The total about Rs. 1½ lakhs.

Mr. Richardson.—Yes.

President.—That would be the working capital you are using?

Mr. Richardson.—Yes.

President.—In your answer to Question 79, you say that the cost of Head Office expenses is 2s. 4d. per lb.

Mr. Richardson.—I have put it wrongly. It is 24d. per lb.

President.—In answer to Question 84, you say that you are satisfied that, if the existing Customs duty on imported materials were removed, the manufacture of printer's ink in India could be carried on successfully in competition with the imported ink. I take it that, if the German invasion continues, that answer might require revision later on.

Mr. Richardson.—Yes.

President.—So it is subject to qualification to that extent?

Mr. Richardson.—Yes. With regard to the possibilities of an extension of the market, there is one extension I know of and that is the question of stamp printing. They have estimated the average value of the quantity of ink which would be required at Rs. 1½ lakhs.

President.—Would you be able to make the kind of ink that would be required?

Mr. Richardson.—Yes. There are not many people who can make it. There are only about two or three firms who can at Home.

President.—Would it pay you on general principles to undertake the manufacture of a special kind of ink of that sort?

Mr. Richardson.—It would. The quantity involved being large, it would be well worth doing, and the profit on these inks is considerably higher than the cheaper grades of inks.

President.—There might be a certain amount of competition.

Mr. Richardson.—There would be very little. There are only three or four firms who know how to prepare these inks. I think that I can say that the profit on them will be a reasonable one.

President.—Taking clause (A) in Question 85, the only natural advantage that you seem to possess is that, on the whole, your labour is cheap. But you have to import essential raw materials. The raw materials produced in India cost more than they do elsewhere. In this respect you have not got any natural advantage. In respect of the market I should say that it is an advantage in this sense that there is a sufficient market to absorb a considerable quantity of ink, and that it is likely to increase. As regards the natural advantages, the case is not very strong.

Mr. Richardson.—No, I quite agree there. There is nothing in making out here that is an advantage. There is a certain advantage of having a factory on the spot, because one frequently gets people who want a particular thing which they could not get from any agents out here. I had cases like that during the war when the Government suddenly wanted to print War Bonds. There is no agent who would hold such inks in stock, because it would not pay him. There were special colours wanted for that, and we were able to supply them.

President.—That raises rather a different point, viz., and that on national grounds it is necessary to have the manufacture of ink carried on in India. But it is hardly a natural advantage.

Mr. Richardson.—It is not.

President.—Your position in this representation is that you think that, if you are not subject to this particular handicap of having to pay 15 per cent. on raw materials, you can carry on.

Mr. Richardson.—Yes.

President.—On your present output, the duty you pay comes to about Rs. 10,000 a year?

Mr. Richardson.—Yes.

President.—The Customs duty on imported material is about 3½ per cent. of your total works cost?

Mr. Richardson.—Yes.

President.—Taking the duty at Rs. 10,000, i.e., about 3½ per cent. of your total cost, if you were freed from that expenditure it would have been possible to pay another 3 per cent. That is apparently the difference it makes.

Mr. Richardson.—That is the actual difference it would make. It would mean also that we would be able to cut prices. The cost of colour is a big thing in ink.

President.—It may work that way. It would probably extend your market?

Mr. Richardson.—Yes. In these cheap inks, colour is a big thing. It forms 75 per cent. of the ink.

President.—In the coloured ink?

Mr. Richardson.—In the cheap coloured inks, we take 3 parts of colour and one part of linseed oil. The cost of colour is everything and that will bring the price down.

President.—Turning to your answer to Question 88, you say “We cannot give you the particulars you desire in this paragraph until we have communicated with our Chairman in London.” When you have received the answer from your Chairman, you will be able, I suppose, to give an answer to that?

Mr. Richardson.—I should like first of all to withdraw the statement made in the letter of July 12th, 1923, which was sent in when I was at home last year “because of the expressed desire of the Government of India to buy printing inks manufactured in India.” I think that this was an excess of zeal on the part of my assistant. I was given clearly to understand by the Chairman of my firm, who is my father, that Government were, at the time when he came out, very keen on manufacturing ink in India and it was owing to my father seeing Mr. Cogswell, who was then Controller of Printing, Stationery and Stamps, that we decided to start. He was extremely keen on having a factory. But as to what correspondence my father had with him in the matter, I could not tell you.

President.—If it is merely based upon a conversation that took place 10 or 12 years ago, it always leads to some uncertainty. It is always possible for misunderstandings to arise in a case of that kind. The would-be manufacturer puts his case strongly and the other gentleman says, “Oh, yes,” and the manufacturer goes away under the impression that he has got whole-hearted support behind him, whereas it may not mean that. That was the reason why we wanted to see the correspondence if there had been any.

Mr. Richardson.—I cannot say definitely until I hear, but I should think that the probability is that it was more in the way of conversation.

Mr. Ginwala.—Then you say that your company was established in 1913 because of the expressed desire of the Government of India, to buy printing inks manufactured in India. That stands good even now. The Government of India are buying their requirements from you. There is nothing inaccurate in that.

Mr. Richardson.—No.

President.—The general policy of the Government of India about the encouragement of industries was not so emphatic at that time as it is now.

Mr. Ginwala.—That is a different point.

President.—What the Board wanted to know was whether the Company had anything in the nature of a definite pledge from the Government of India.

Mr. Ginwala.—Pledge to remove the duty.

Mr. Richardson.—I think probably on that account too it may have been a conversation only.

President.—Were you assured that the raw materials would be allowed in free? Was that the nature of the pledge?

Mr. Richardson.—Yes.

President.—If that was part of the inducement which led you to establish your factory, it is so important that one would naturally expect it to be in writing.

Mr. Richardson.—As soon as I started the factory and came out here I was under the impression that the matter would be put right very soon. At the time of my coming out here the matter was put up to the India Office at Home but it was turned down. It came on to Simla I think, and it was turned down by the Finance Department.

President.—When was that so far as you know?

Mr. Richardson.—It must have been at the end of 1918.

Mr. Ginwala.—Since then things have moved a bit faster.

President.—It is not a matter of great importance but it is desirable to know exactly what passed.

Mr. Richardson.—I can definitely tell you that the application was put in 1913 from our London office to the India office, and that was definitely turned

down. I have not got the correspondence with me, but there must have been some correspondence.

President.—Coming now to the last two questions, your primary request is that the duty on the imported raw materials should be removed so far as you are concerned. So long as you do not have to pay you do not care whether other people pay or not.

Mr. Richardson.—I want to protect my company.

President.—If any other firm were in the same position as yourself it would, of course, have to get the same concession. But dyes, for instance, are used for many other purposes besides printer's ink, and it would be difficult to sweep away the duty altogether, in order to benefit one industry. Your definite request, I understand, is that you want to be exempted some way from paying this particular duty. Failing that, and only as a secondary request, you say that the duty on imported ink should be raised to 15 per cent. That is only put forward as a *pis aller*.

Mr. Richardson.—Yes. As I put that in the letter we are in the same position as the paper people. They have got both: they get their raw materials for nothing, and they have also got 15 per cent. duty on the imported stuff. It is the other way round with us.

Mr. Kale.—But do you know they are claiming protection for pulp?

President.—It is only one firm.

Mr. Richardson.—Yes.

Mr. Kale.—So that the position is likely to be changed.

President.—But the practical point is that, supposing the Board were satisfied that you had a good case and that assistance could be given, then comes the question what is the best way to do it. There are two alternatives. Either you could be exempted from the payment of duty on these raw materials, or you could pay in the first instance but receive a rebate later on. Your answer to question 90 rather suggests that you have not quite followed what was suggested. You say "as there is an average loss of 5 per cent. between materials used and the resulting ink, we do not think that this proposal would be fair." But it is quite possible to make allowance for that. What we were contemplating was this. Let us take a simpler case. The same kind of question has come up in connection with the enamel-ware industry. They require a certain amount of materials of various kinds for their glaze, and the quantities used do not vary much. In such a case it would not be difficult to work out a rebate system with a practical check which ensures that the imports on which they are being exempted from duty are actually used for this particular purpose, and that they were not importing the raw materials and selling them again. If there were only one kind of printer's ink, it would be possible to take this course, but I see the difficulty created by the great variety of inks produced.

Mr. Richardson.—I quite see that. It is not only that we are using imported material, but we are also using materials produced in the country.

President.—If for 100 lbs. of a particular ink you require 5 lbs. of carbon black, on that basis a rebate system could be worked out, but if you are going to make 200 to 300 kinds of ink in a single year, and use different raw materials for each, I do not see how the rebate system could be worked out.

Mr. Richardson.—We make a good many more than 200 or 300 kinds in a year.

President.—Do you think it would be possible at all in your case to work out such a system?

Mr. Richardson.—For myself I have an absolute record of stuff used. That is open to inspection at any time. The objection to that is suppose that you may say it is not used for ink making. I am ready to give any required assurance that materials would only be used for ink making.

President.—Your firm has been working in close relation with Government for a long time, and I do not think that any difficulty would arise with you.

But we have to remember that once a system of this kind is introduced and applied to your firm, another industry will come and say "we want the same kind of thing" and it might not be equally simple in their case. Therefore we have got to consider what practical safeguards are necessary.

Mr. Richardson.—That is difficult. As far as our materials are concerned even though, as you say, dyes are used very largely, the particular dyes that we use are not used for other purposes. On the other hand, it would be very difficult for you to draw a line and say which definite dyes are to be used. A new one may come out tomorrow which we may like to use. That would be rather tying us down to utilising a particular thing. Take the pigments we use, such as the yellows and the blues. They are very similar to those which paint makers use. The only difference is that they are of much better quality.

President.—Would it be possible to provide a safeguard in this way that, for a given output, the rebate was not to exceed a certain sum? It seems to me that, if we are going to adopt any system of this kind, we must realize that they cannot be confined to one or two firms, and we have got to be careful at the start and see what practical safeguards are possible, apart from the actual inspection by Customs officers, or possibly by the Controller of Stationery and Printing and his officers. Inspection is always possible, but it is expensive and apt to be troublesome. It is desirable to supplement inspection by some automatic check which will keep the concession within bounds. Do you see any way out of the difficulty?

Mr. Richardson.—I do not think it would be so difficult as far as coloured inks are concerned, though even they vary so tremendously. You take the proportion of pigment and varnish in the coloured inks. You get 4 parts of pigment and 6 of varnish in one, and you may get 3 parts of pigment to 1 of varnish in another. That all depends on the particular pigments used.

President.—If that is so, it seems to me that the ink industry is not a case suitable for a rebate system, and if the concession is to be given at all, it will be necessary to exempt your firm from the payment of duties at the time of importation.

Mr. Richardson.—Every six months we get out a statement showing quantity used and that in stock, and that from my own point of view is easy. We do not sell to outside people. But I do not know whether it will satisfy the Customs.

President.—I think we shall have to ask the Collector of Customs about it.

Mr. Ginwala.—You rest your case merely on this that the foreign manufacturer gets protection of 12½ per cent. against the local manufacturer in the matter of raw materials?

Mr. Richardson.—Yes.

Mr. Ginwala.—Your case, plainly put, is that that is a very illogical position for any country to adopt? That is apart from the question whether the industry wants protection or deserves protection.

Mr. Richardson.—Yes. I say it is illogical.

Mr. Ginwala.—Look at your answer to question 20. There you have given the amounts you paid by way of duty in the last three years. They do not seem to correspond with the amounts shown in the lists.

Mr. Richardson.—No, because these are amounts actually paid: the amounts shown in the lists are those actually used.

Mr. Ginwala.—It is really material for the Government, supposing there was a question of rebate, to know how much has been used in a particular year. You could only allow for a certain margin in a particular year.

Mr. Richardson.—Yes. We might use half this year.

Mr. Ginwala.—That margin is generally supposed to remain the same?

Mr. Richardson.—Yes.

Mr. Ginwala.—Supposing it was a question of giving you a rebate, would it not be simpler for Government to make you pay in the first instance and to give you a rebate at the end of the year. If you get a refund at the end

of the year, would it not serve your purposes? Do you see any difficulty from your point of view?

Mr. Richardson.—We would have to stand out of our money longer, but I do not think it would be very material.

Mr. Ginwala.—You import these things as you want them. It is not a question of paying Rs. 10,000 down at once. At the end of the year you are pretty well in a position to tell the Government that you used so much.

Mr. Richardson.—We can tell that exactly at the end of the year but that would almost come down to splitting invoices. We can take our invoices as we get them and say we use all or part of these.

Mr. Ginwala.—Or you could say "We pay Rs. 10,000 on all those articles which we have exempted from duty" so that in the following year the same thing happens on what you actually pay. Is that a feasible proposition?

Mr. Richardson.—Yes.

Mr. Ginwala.—You have stated in your answer to question 32 that there are small factories in some other places.

Mr. Richardson.—Yes.

Mr. Ginwala.—These factories probably do not import direct. They buy in the bazaar.

Mr. Richardson.—One in Calcutta did buy direct. I know the people they have bought from, but with regard to the others I cannot tell you. Of course they might be making only black ink of the cheapest quality for which they might make their own Black. If they buy from the bazaar, it must be materials of very inferior quality.

Mr. Ginwala.—If the factory is a small factory ordinarily it would not know how to import or it may not find it worthwhile. In that case what would you suggest?

Mr. Richardson.—There would not be a refund.

Mr. Ginwala.—They have already paid a duty as you have done. What do you suggest in their case?

Mr. Richardson.—The easiest thing is to put a 15 per cent. duty on to ink. I do not think otherwise it would be helpful to them.

Mr. Ginwala.—We really do not know how many people are manufacturing ink of this kind. At schools we manufactured our own ink.

Mr. Richardson.—We are not dealing with writing ink which is made in an entirely different process.

Mr. Ginwala.—Printing ink too is the common kind of ink which can be manufactured?

Mr. Richardson.—It can be made in small quantities.

Mr. Kale.—Do they use the same raw material for the manufacture of writing inks, black and so on?

Mr. Richardson.—None of them.

Mr. Ginwala.—You suggest that 15 per cent. should be put on ink, but there is one objection to that. If you look at your figures you will find that the imported raw materials and Indian raw materials you use are roughly in the proportion of 60 to 40.

Mr. Richardson.—Yes.

Mr. Ginwala.—The bulk of the materials are imported. That offends against one of the principles to which we have referred. The industry must have some advantage in regard to the raw materials. It has not this advantage if it has got to import 60 per cent. of raw materials and only use 40 per cent. of the domestic raw material.

Mr. Richardson.—I quite see the point.

Mr. Ginwala.—Your case is not strong at present on the question of protection apart from the anomaly of the existing rates of duty.

Mr. Richardson.—Yes. I see the point.

Mr. Ginwala.—You run up against many difficulties if you really propose 15 per cent. duty. Are you serious about it?

Mr. Richardson.—As a working proposition it would get over a lot of difficulty.

Mr. Ginwala.—It has got its own difficulty.

President.—Your position, I understand, is this. If it is proper to put on paper a 15 per cent. duty, it is not improper to put an exactly similar duty on printer's ink, for any objection which can be urged on the ground that the higher duty would increase the cost of books, newspapers, etc., would apply to paper with equal or greater force.

Mr. Richardson.—Ink is a drop in the bucket when compared with paper.

President.—What is the value of the imports?

Mr. Richardson.—About Rs. 5 lakhs. See question 31.

President.—At present they pay 2½ per cent. and it would be about a difference of 62,000 in the total amount that would be paid.

Mr. Ginwala.—Again Government would be losing an indefinite sum. That is the effect.

Mr. Richardson.—Yes.

Mr. Ginwala.—You have stated the selling price on the average is about 19½ as. a lb. The cost of production comes to about 12½ as. Supposing a duty of 15 per cent. was put on it. You would naturally bring your price to the level of the price of the imported ink. That would give you another Rs. 40,000 on your total output against the saving of Rs. 10,000 on the raw materials, if duty on them was removed.

Mr. Richardson.—We would be very much better off, but it would confine our dealings entirely to India.

Mr. Ginwala.—That would give you a profit of 25 per cent.—Rs. 40,000 plus what you are making now on a capital of £20,000.

Mr. Richardson.—Last year we made Rs. 18,000 actually on manufacture profit.

Mr. Ginwala.—That paid a 7½ per cent. dividend.

Mr. Richardson.—We made a good deal out of some other things which have nothing to do with manufacture.

Mr. Ginwala.—You say “manufacture profits.” You deduct depreciation from that?

Mr. Richardson.—Yes.

Mr. Ginwala.—Then you made Rs. 18,000 out of actual manufacture?

Mr. Richardson.—Yes. That is the net manufacture profit—the turn-over was just Rs. 3 lakhs.

Mr. Ginwala.—Look at your form II. How is this charge “other expenditure” gone up from Rs. 481 to Rs. 784. There is a big jump.

Mr. Richardson.—Because in that year the business we did was entirely direct. We had no selling agents. The prices had to be adjusted to that. After that we had got to make our actual selling price higher and allow for discounts given to selling agents.

Mr. Ginwala.—The average price as you have given it in answer to Question 31 includes agents' commission?

Mr. Richardson.—No. I have given you the net prices there because you were talking of imports.

President.—Referring back to the first page, this valuation you have given—weight and value for each year—on what basis is the valuation taken?

Mr. Richardson.—These are gross. The figures I have given in answer to question 6 are the actual sales.

Mr. Ginwala.—Surely not, because these are the same figures as in Form I?

President.—Those give us the value there, what we rather meant was the quantity, but as far as the quantities are concerned these can be got from

your answer to question 6. It is not a point of great importance. But as I understand now, the selling commission is included under this head "Other expenditure" in Form I, and is also included in page I, is it not?

Mr. Richardson.—Yes.

President.—What we wanted was that the selling commission should be separated.

Mr. Richardson.—That is how we take it.

President.—If you could let us have copies of the profit and loss account it would be useful.

Mr. Richardson.—I shall send you these for 1915-16, 1920-21, 1921-22 and 1922-23.

Mr. Ginwala.—Now about these American Blacks. Can't you manufacture them in this country?

Mr. Richardson.—These can only be had from America.

Mr. Ginwala.—What is the reason?

Mr. Richardson.—They have a very large supply of natural gas in the oilfields. These Blacks are made by burning the natural gas.

Mr. Ginwala.—There are oilfields in Burma; is there any reason why they should not be made there?

Mr. Richardson.—I can't say, but I have to get it from America.

Mr. Ginwala.—Does their manufacture require any very expensive machinery?

Mr. Richardson.—I cannot give you any details about that, but I don't think the plant would be expensive.

Mr. Ginwala.—There are several oil companies in Burma; why can't they make it?

Mr. Richardson.—I believe they have looked into it more or less. I know the Anglo-Persian Oil Company in Persia are looking into it now, but so far nothing has occurred except looking into the matter.

Mr. Ginwala.—Is it a patent process or is it a process that is well known?

Mr. Richardson.—I know what the principle is myself. You take a revolving water-cooled cylinder and underneath you burn gas jets. The black from the flame condenses on the cylinder which very slowly moves round, and the Black is brushed off and collected. There is no reason why it should not be made in Burma at all, but the Americans have an absolute monopoly of it.

Mr. Ginwala.—Do you mean to say that they supply the whole world?

Mr. Richardson.—Absolutely. It is a very big trade now because in the last five or six years they have started putting it into the motor car tyres, and the quantity used in that has pushed up the price very considerably.

Mr. Ginwala.—Now, about this American rosin; you say it may be possible to use hereafter Indian rosin in its place.

Mr. Richardson.—I would use it to-morrow if I could. It may be possible that they may find a way. I know the Government Chemist took it up, and they made a number of experiments.

Mr. Ginwala.—If the duty is removed from American rosin, what inducement is there to the rosin manufacturer here to improve it so that it can substitute American rosin?

Mr. Richardson.—In the paper trade I believe they can use Indian rosin quite satisfactorily.

Mr. Ginwala.—At least one firm certainly does that.

Mr. Richardson.—There is another thing in which you can't use it, that is shellac making.

Mr. Ginwala.—So, do I understand that you cannot use Indian rosin?

Mr. Richardson.—If you take American rosin in your hand and crunch it up you will find it very sticky, but the Indian rosin has no stickiness at all, it is like chalk. If you make ink with the Indian rosin it will look absolutely

satisfactory, but after the ink has been standing for some little time it will become crystallized. I spoiled 5 tons of ink with Indian rosin and spent a lot of time on experiments, but it wouldn't work.

Mr. Gairala.—About these gums and varnishes: they make some here but you don't use them?

Mr. Richardson.—We chiefly refer to varnishes made by thickening linseed oil. Occasionally I buy it locally. Gums we have got to import. We use Gum Damar which comes from Batavia and that has got to be imported.

Mr. Gairala.—What receptacles do you use for selling ink?

Mr. Richardson.—Mostly tins. I make my tins, at least I half make them. I get them out in the flat and make them up.

Mr. Gairala.—You would have to pay a duty on that?

Mr. Richardson.—Yes, 10 per cent.

Mr. Gairala.—How much do you use by way of tins?

Mr. Richardson.—We used Rs. 12,000 worth of tins last year.

Mr. Gairala.—You will now have to pay 15 per cent. on that.

Mr. Kale.—You have told us that in 1922 and 1923 you paid $7\frac{1}{2}$ per cent. free of income-tax as dividend?

Mr. Richardson.—Yes.

Mr. Kale.—That would give one the impression that you were doing very well, and the experience of the last six months that you have related only proves that you would have to wait for sometime to see how things turn out in the long run.

Mr. Richardson.—I would like to point out that this $7\frac{1}{2}$ per cent. was not from our manufacture alone. In the year ending January 1922 the profit was Rs. 32,071, of this Rs. 4,511 was made out of other sources. In the year ending December 1922 the profit was Rs. 43,751, and of this Rs. 7,784 was made from other sources. In the year ending December 1923 the profit was Rs. 44,539 of which Rs. 26,686 was made from other sources.

Mr. Kale.—You have given $7\frac{1}{2}$ per cent. free of income-tax for 1922 and 1923. How will these figures be affected by what you tell us now?

Mr. Richardson.—I do not think there would have been much dividend paid last year, if we had not made something from other things.

Mr. Kale.—Take the year ending January 1922. You made a profit of Rs. 32,701 of which Rs. 4,501 was from other sources, so that your profit was Rs. 28,000. How will it work out?

Mr. Richardson.—We had a loss to deal with in the previous year.

Mr. Kale.—It means about $9\frac{1}{2}$ per cent.?

Mr. Richardson.—But in the previous year we had a deficit to write off.

Mr. Kale.—In the next year similarly you made Rs. 43,000 out of which 7,000 was made from other sources. That would mean about Rs. 36,000 as your profit. That would work out at 11 per cent.?

Mr. Richardson.—Yes.

Mr. Kale.—These appear to be handsome profits as profits go in these days. Can you then make out a case and say that you are losing?

Mr. Richardson.—I might make a profit by closing my factory. At that particular time we admittedly made 9 per cent. Next year it dropped and this year it has dropped more still.

Mr. Kale.—It would rather prove that you would have to wait. You are rather in a hurry because, so far as we have been able to find out, while other factories are working at a loss you have been working at a profit?

Mr. Richardson.—Yes.

Mr. Kale.—The general depression does not seem to have affected you?

Mr. Richardson.—Perhaps it is beginning to affect us. In the last six months we have not made any profit.

Mr. Kale.—I do not question that, but to my mind that only shows that you have got to wait for another six months and see how the year turns out and then it will be time to try and make out a case. In another six months something may turn up in Germany and elsewhere and prices may go up and you may make a profit.

Mr. Richardson.—Yes.

Mr. Kale.—And then we might have without sufficient justification accepted your claim?

Mr. Richardson.—But still you do not deal with the fact that the position is unfair.

Mr. Kale.—That is a general proposition. I am not dealing with that now. I am dealing only with your profits.

Mr. Richardson.—The dividend that we have paid is not exactly fat.

Mr. Kale.—But it is not certainly very lean! Most of the other industries which we have considered and are considering, have been able to show that they had made absolutely no profit; on the contrary they are losing, and that seems to be some justification for protection being granted in one form or another. But here it seems to me that you might wait for some time and see if the conditions which you have described become permanent; then it may be a strong case, but if they do not become permanent do you think we should be justified in making recommendations on the strength of what might ultimately prove to be temporary conditions? That is our difficulty.

Mr. Richardson.—Yes, that is true.

Mr. Kale.—Up to the year 1915 there was no import duty on printing ink at all?

Mr. Richardson.—No.

Mr. Kale.—And the duty upon some of the raw materials was 5 per cent.?

Mr. Richardson.—Yes.

Mr. Kale.—And the change seems to have taken place during and after the war?

Mr. Richardson.—Yes.

Mr. Kale.—That shows that the financial difficulties Government had to face might have something to do with it. Otherwise they would not have gone out of their way to put obstacles in the way of Indian manufactures. When you say that it is illogical to impose duties on raw materials while leaving the manufactured articles free, must we not take into account the fact that these duties were necessitated by war conditions and financial difficulties during the time of war? It is not a fair conclusion to draw from these facts?

Mr. Richardson.—Yes. From that point of view, if 15 per cent. had been put on to printing ink it would be equally fair.

Mr. Kale.—The raw materials which are used by you are used in other industries also. While Government apparently did not want to discourage the spread of education and so forth, at the same time they had to impose duties on varieties of articles which were used by various industries. That is probably how the duties came to be increased.

Mr. Richardson.—I agree, but the amount of duty that Government may have to sacrifice would be very small, and it is after all a financial consideration for the Government of India apart from the other difficulties which we have been discussing. But exemption can be granted as these difficulties are there.

Mr. Kale.—You have said that there are some factories in Lahore and other places. Have you got any particular information concerning them?

Mr. Richardson.—I cannot give you any information about any others except the one in Calcutta which I have not seen. But I know that a man called Das Gupta was selling quite a considerable quantity several years ago, but it seems that he is selling only a small amount now, because he was selling considerably below cost. That cannot go on for ever.

Mr. Kale.—Do you think that these factories have modern machinery and that they manufacture machine-made ink?

Mr. Richardson.—The one in Calcutta has. The man in Lahore used to be my agent, and when I took away my agency from him he started manufacturing, but I don't think he made a success of it. The great thing in making printing ink is not so much the process, as knowing what materials are required and how to use them.

Mr. Kale.—Do you think that printing ink can be manufactured from the materials that you use without the help of modern machinery?

Mr. Richardson.—It would not be possible.

Mr. Kale.—If there are any factories in Calcutta, you think they must be on the same basis as yours, namely with modern machinery?

Mr. Richardson.—Yes.

Mr. Kale.—There is one discrepancy to which Mr. Ginwala drew your attention between the figures for the customs duty in Forms I and II and in answer to question 20. You must have accumulated a very large amount of stock?

Mr. Richardson.—We have a tremendous lot of stock on hand.

Mr. Kale.—There is one other point to which I want to draw your attention. You are asking for protection but you tell us that your Company is not a Joint Stock Company.

Mr. Richardson.—It is a private Limited Liability Company.

Mr. Kale.—Is it not open to the objection that, if any benefit accrues to the industry as a result of protection, it would not be open to the public as a whole? It would be a kind of monopoly, if I may use that word. Suppose protection is granted to you, you would have a sort of monopoly. Your shares are not open to the public—apart from the fact that there are no Indian shareholders. Is it fair that this sort of monopoly should be created in India?

Mr. Richardson.—Other factories would start.

Mr. Kale.—Having your own experience, do you think other people would start joint stock companies for the manufacture of ink?

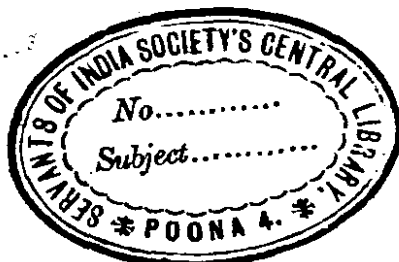
Mr. Richardson.—I think it is very doubtful.

Mr. Kale.—Yours is a private company and the public might say that they had no opportunity of deriving any benefit out of it. They cannot invest their money in your business and buy your shares.

Mr. Richardson.—We might consider the possibility of selling our company.

President.—That is a possible development.—

Report of the Indian Tariff Board
on the Question of Tariff Equality
in respect of the Manufacture of
Printing Type.



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Report on the Question of Tariff Equality in respect of the Manufacture of Printing Type.

This report deals with an application submitted by the Allahabad Law Journal Company, Limited, on behalf of the Hindustani Type Foundry, alleging the existence of tariff

Terms of reference.
Evidence taken.

inequality in respect of the manufacture of printing type in India and praying for its removal. In accordance with Resolution No. 38-T. (2), dated 28th March, 1925, the Board undertook an enquiry into the claim of the industry for relief. The results of the enquiry are summarised in this report which follows the lines adopted by the Board in its previous reports on cases of tariff inequality. Besides the original applicants, the following firms sent written replies to the Board's questionnaire:

The Madras Type Foundry.

The Gujarati Type Foundry.

The Nirnaya Sagar Press and Jawaji Dadaji Type Foundry.

The New Anand Sagar Type Foundry, Bombay.

Representations were also received from the Bombay Type Foundry Owners' Association, the Indian Merchants' Chamber, Bombay, the Linotype and Machinery, Limited, Calcutta, the Calcutta Linotype Users' Association and Messrs. Stephenson, Blake and Company, Limited, Sheffield. Oral evidence was received from all the Indian Type Foundries which sent written representations and also from the Bombay Type Foundry Owners' Association.

2. Type metal, which is the material used in casting printing type, is an alloy composed of various metals, principally lead, antimony, tin and copper. The proportions

Type metal partly imported and partly manufactured locally.

in which the metals are combined usually vary according to the size of type to be cast. Type of small size requires a hard alloy which must also flow very freely and generally contains a much higher percentage of antimony and tin. Ordinarily only three or four alloys are used in any particular foundry as these are found sufficient to cover the requirements of practice. In India printing type is cast partly with imported metal and partly with alloys manufactured locally. Generally speaking, the type foundries in Bombay, which probably account for the greater part of the Indian output, make their own type metal while those in Madras and Bengal import it. The Hindustani Type Foundry of Allahabad which used to cast all its type with imported type metal now produces

the bulk of the metal required by it in its own works. In examining the question of tariff inequality, it is essential to keep both methods of production in view. For although the manufacture of type metal in India may help to reduce the cost of printing type, the poor quality of most of the metal produced renders it unsuitable for casting type required for high grade printing. It is, therefore, necessary that in devising measures for assisting the industry, the interests of both classes of producers should be considered.

3. The commonest kind of alloy employed in making type metal in Indian foundries has the following composition:—

Extent of tariff inequality.	Lead	Per cent.
	Antimony	88
	Tin	10
		2

This, however, is for the lowest quality of type. For superior type comparable in quality with imported type, the recognized standard composition of English and American type metal is generally adopted. This is made up as follows:—

	Per cent.
Lead	63
Antimony	26
Tin	10
Copper	1

The wastage in the process of manufacture, including the alloy as well as the type, ranges from $7\frac{1}{2}$ per cent. to 10 per cent. Assuming a wastage of 10 per cent. the duty payable on the raw materials, whether imported direct or purchased locally, may be estimated with respect to type made from alloy of standard composition as follows:—

<i>Per 100 lb. of printing type.</i>	Rs.
Lead, 63 lb. at 15 per cent. on a tariff valuation of Rs. 22 per cwt.*	1·85
Antimony, 26 lb. at 15 per cent. <i>ad valorem</i> on a duty free price of Rs. 30 per cwt.	1·04
Tin, 10 lb. duty at Rs. 250 a ton	1·11
Copper, 1 lb. at 15 per cent. on a tariff valuation of Rs. 46 a cwt.*	0·06
TOTAL	4·06
Plus 10 per cent. on wastage	·40
GRAND TOTAL	4·46

* As given in Indian Customs Tariff for the twelve months January to December, 1928, published by the Department of Commercial Intelligence and Statistics, India.

Where imported type metal is used, the duty payable on the material is higher. The price of imported type metal is subject to constant fluctuation, but the average duty free price of ordinary type metal at the ports, that is c.i.f. price *plus* landing and other charges, may be taken approximately at Rs. 40 per cwt. at current rates. The wastage in converting the type metal is about 3 per cent. and hence the duty payable at 15 per cent. *ad valorem* is Rs. 5.51 per 100 lb. of printing type. The most representative class of printing type used in India is 12 point standard (English character) in which competition is met with by Indian foundries principally from German imports. The latest price of this class of type imported from Germany *less* duty and discount is, according to our information, approximately Rs. 60 per 100 lb. at the ports. The import duty at $2\frac{1}{2}$ per cent. *ad valorem* is, therefore, Rs. 1.50 per 100 lb. of type. On these figures we find that the Indian manufacturer is subject at present to a tariff inequality of about Rs. 3 per 100 lb. in the case of type metal manufactured locally and Rs. 4 per 100 lb. in the case of imported type metal.

4. As we have pointed out already, it is necessary in devising measures for removing tariff inequality to adjust the duties so as to afford relief to type foundries which import type metal as well as those which manufacture it locally. The only method of relief which will afford assistance to both classes of producers is an increase in the duty on printing type.

A reduction in the duty on imported type metal will not benefit those who manufacture their own type metal, while a reduction in the duties on the virgin metals used in the manufacture of alloys will not merely fail to give relief to importers of type metal but will be open to serious objection from Indian metal interests. We recommend that the duty on printing type should be fixed at a rate corresponding to the duty paid on imported type metal, the tariff inequality being higher in this case. Further, in view of the rapid decline in the prices of German type, we consider that the duty on printing type should be converted from an *ad valorem* into a specific duty. We have estimated that the duty paid on imported type metal amounts to Rs. 5.51 per 100 lb. of printing type or $10\frac{1}{4}$ pies per pound. A specific duty at this rate will be sufficient on present prices to remove the tariff inequality. But we think that some allowance should be made for the possibility of a further immediate decline in the prices of German type. During the last 18 months the prices of German type imported into India have declined by two to three annas per pound and it is likely that the limit in this direction has not yet been reached. On this ground we recommend that a specific duty of one anna per pound should be levied on printing type. The conversion of the duty on printing type from an *ad valorem* duty of $2\frac{1}{2}$ per cent. into a specific duty of one anna per pound will not materially increase the amount of duty paid on type of better quality imported from the United Kingdom and America since type of this class

sells generally at Rs. 2 per pound and over. Even in the case of German type, although the duty will raise prices, they will still be lower than they were a year ago. The large class of printing represented by the leading newspapers, who use linotype machines, will not in any case be affected by a change in the duty on printing type.

5. In giving evidence before us, the applicants urged that in view of the severe competition from German imported type, the establishment of tariff equality would not in itself be sufficient to safeguard the Indian type industry and that some measure of protection should be granted. The question of protection is not within our terms of reference, but in this as in other enquiries regarding tariff inequality, the case of the applicants has been supported on grounds which are relevant to a claim to protection rather than to tariff equality. The difference between the two cannot always be clearly defined in practice, and a certain overlapping appears to be inevitable. In enquiries of this kind, the facts generally are simple and can be easily ascertained and we think, therefore, that it would in the long run save time and also enable the Board to form a better judgment regarding the position of the industry if it had power, in enquiries referred to it under Resolution No. 38-T. (2), dated 28th March, 1925, to examine the claim to protection on a *prima facie* case being shown. A modification of the Resolution in this direction seems to us desirable. In the present enquiry, however, we do not think that the evidence tendered so far has disclosed any grounds on which immediate action may be suggested. So long as Indian type foundries supply more than 80 per cent. of the Indian market, as the applicants themselves have admitted, the plea for protection at this stage is premature. It is of course conceivable that a further extension of German imports into the Indian market may alter the situation adversely to the Indian industry. Since 1922 the imports from Germany have increased from 275 cwt. to over 900 cwt. and although in 1927-28 the imports showed a large decrease, the figures for the current year seem to indicate that heavy importation is taking place again. Already the prices of Indian type have been forced down to a level which in the case of many foundries leaves little margin of profit. The industry is one for which India offers natural advantages and for which Indian enterprise and labour have shown considerable aptitude. Any serious set-back to the industry by reason of the importation of cheap and inferior type from abroad would in our opinion be unfortunate. In framing our recommendation for the removal of

tariff inequality, we have allowed a small margin to offset the effect of a further slight decline in German prices. Should, however, a substantial drop occur hereafter in the prices of German imports, we consider that Government should be prepared to take steps to counter it.

P. P. GINWALA,
President.

J. MATTHAI,
Member.

H. C. SEN,
Secretary.

The 4th January, 1929.

APPENDIX I.

Table showing quantity and value of imports of type metal into India during the past three years (1925-26 to 1927-28).

	Quantity.			Value.		
	1925-26.	1926-27.	1927-28.	1925-26.	1926-27.	1927-28.
	Cwts.	Cwts.	Cwts.	Rs.	Rs.	Rs.
Bombay	(Collector of Customs reports that separate figures for type metal are not available in respect of Bombay.)					
Bengal	614	762	1,161	22,708	26,163	34,432
Sind	60	62	20	2,821	2,162	637
Madras	920	1,170	1,180	33,543	41,598	38,557
Burma . . . . .	...	40	70	...	1,322	2,265
Total imports	1,594	2,034	2,431	59,072	71,245	75,891

APPENDIX II.

Table showing quantity and value of imports of printing type into India during the past three years (1925-26 to 1927-28.)

	Quantity.			Value.		
	1925-26.	1926-27.	1927-28.	1925-26.	1926-27.	1927-28.
	Cwts.	Cwts.	Cwts.	Rs.	Rs.	Rs.
Bengal	892	523	...	1,21,742	90,855	...
Bombay	433	914	...	70,821	1,36,871	...
Sind	119	88	...	23,147	18,516	...
Madras	255	235	...	29,018	45,269	...
Burma	345	147	...	65,959	28,731	...
Total imports	2,044	1,907	1,899	3,10,637	3,10,292	2,34,057

The Protection of Young Industries.

I.

The proposal that temporary protection should be afforded in India to the Steel Industry as a young and struggling industry is in no way repugnant to the doctrine of free trade.

Self-determination is to-day an accepted principle of nationality. Every people is held to be acting rightly in desiring to govern itself even though such a Government may in the beginning be less efficient and less economical. But the desire to promote and foster industries of national importance may be just as much an effect of the national spirit as the desire for self-government and the cry of "Home Steel" for a country as reasonable and as right as the cry of "Home Rule" provided that the industry is economically sound. Even the staunchest adherents of Free Trade have admitted this. The argument cannot be stated better than it has been stated by John Stuart Mill himself in his Principles of Political Economy.

"The only case in which, on mere principles of political economy, protecting duties can be defensible, is when they are imposed temporarily (especially in a young and rising nation) in hopes of naturalizing a foreign industry, in itself perfectly suitable to the circumstances of the country. The superiority of one country over another in a branch of production often arises only from having begun it sooner. There may be no inherent advantage on one part, or disadvantage on the other, but only a present superiority of acquired skill and experience. A country which has this skill and experience yet to acquire, may in other respects be better adapted to the production than those which were earlier in the field; and besides, it is a just remark of Mr. Rae, that nothing has a greater tendency to promote improvements in any branch of production than its trial under a new set of conditions. But it cannot be expected that individuals should, at their own risk, or rather to their certain loss, introduce a new manufacture, and bear the burden of carrying it on, until the producers have been educated up to the level of those with whom the processes are traditional. A protecting duty, continued for a reasonable time, will sometimes be the least inconvenient mode in which the nation can tax itself for the support of such an experiment. But the protection should be confined to cases in which there is good ground of assurance that the industry which it fosters will after a time be able to dispense with it; nor should the domestic producers ever be allowed to expect that it will be continued to them beyond the time necessary for a fair trial of what they are capable of accomplishing."

II.

The same doctrine has been very carefully examined by Professor Taussig with special reference to the growth of the steel industry under protection in America. His conclusions are given in his book "Some aspects of the Tariff Question" published in 1918, and as Professor of Economics at Harvard University his opinions are entitled to great weight.

"The form in which the argument most commonly appears in connection with our recent industrial development is the statement that protection ultimately lowers prices. It is admitted (grudgingly perhaps—and sometimes questioned or even denied) that the first effect of the imposition of a duty is to raise the price of the dutiable article. But domestic competition ensues, it is said, and eventually price goes down. And when it is asked why the domestic producer, if he can bring his commodity to market after all at the lowered price, really needs a protecting duty, the answer is that he needs

it at first, during the early stages. He needs to learn; he needs time to develop the full possibilities. All this, it is obvious, is simply the young industries argument."

* * * * *

"A different question, and one not so simple, is whether there is any prospect of gain from protecting young industries in a country as fully developed as the United States has been since 1860; whether, for so robust and full grown a social body as this has become, ridicule is not a sufficient answer, whatever the terms in which the argument is stated. In that earlier formulation of the argument which won a respectful hearing from the fair-minded, stress was laid on the general conditions of the country imposing protective duties. It was a young country that was spoken of by Mill, rather than one having young industries. List's well-known plea rested on his doctrine of stages in economic evolution—on the inevitableness of the transition from the agricultural and extractive stage to the manufacturing stage, and on the advantages of protective duties for furthering and easing this transition. He found the United States in this stage of development when he was sojourning here during the period of our early protective movement. On his return to Germany, he found his own country in a similar stage, and agitated for nurturing protection there also. The possibility of good results from protective duties under such conditions is now denied by few. But does the same possibility exist when this particular period of transition is past, when the manufacturing stage has been fairly entered, when the question no longer is whether manufacturing industries shall be established at all, but whether some particular kinds of manufactures shall be added to others already flourishing?"

"Notwithstanding early prepossessions to the contrary, I am disposed to admit that there is scope for protection to young industries even in such a later stage of development. Any period of transition and of great industrial change may present the opportunity. No doubt the obstacles to new ventures were greater during the first half of the nineteenth century than they have come to be in the modern period. The general diffusion of technical knowledge and technical training, the lessening of secrecy in trade processes which is the inevitable result of large-scale operations, the cessation of regulations like the early British prohibition of the export of machinery, the greater plenty of expert mechanics and machinists—all these factors tend to facilitate the establishment of industries whose difficulties are no more than temporary and transitional. None the less the early stage of any new industry remains difficult. In every direction economists have come to recognise the immense force of custom and routine, even in the countries where mobility and enterprise are at the highest. Departure from the habitual paths of industry brings unexpected problems and difficulties, false starts and initial losses, often a fruitless imitation of familiar processes before new and better ones are devised. All this is made more trying when a young competitor is striving to enter the market against a producer who is established and well equipped. The obstacles in the way of promising industries though doubtless not so great as they were a century ago, remain great. The experiences of the United States during the last fifty years, some of which will be described in the following pages, indicate that there remains in modern times at least the possibility of acquiring a self-sustaining industry by aid during the early stages."

* * * * *

"Further, the length of time to be allowed for the experiment should not be too brief. Ten years are not enough; twenty years may be reasonably extended; thirty years are not necessarily unreasonable. When writing of the earlier stages of United States tariff history, I intimated that the first sharp break, in 1810—20, from the established ways of industry, and the very first ventures in new paths, were sufficient to give the needed impetus, and that thereafter protection might have been withdrawn. An opinion of this sort I should not now support. What has already been said of the

tenacity of old habits and the difficulties of new enterprises justifies the contention that a generation, more or less, may elapse before it is clear whether success has been really attained."

III.

The arguments in favour of initial protection put forward by Professor Taussig apply with even greater force to the present condition of India, and the arguments against it in the same passage have no application. This country is in the same inevitable stage of transition from the agricultural and extractive stage to the manufacturing stage that List found in America and requires the same nurturing protection that he advocated in Germany to ease this transition. The steel industry here is really an "infant industry." If the war years during which artificial protection was afforded to the steel industry in India and which actually did great harm to the plant then installed in the country owing to the constant strain placed on both men and machinery are excluded, the industry in this country may fairly be said to have just entered on the manufacturing stage, and even the search and development of the necessary raw materials has not yet been completed. Nor, a very important point, have the railways as yet afforded that intensive and economical development of transportation which has been so marked a factor in the development of the great steel industry of America. For the manufacture of steel, India still has to import skilled labour. It still has to compete with that immense force of custom and routine, of which Professor Taussig speaks, and which is well known to be the greatest problem of Indian manufacture. If the reasoned conclusion of an enquirer such as has been quoted is that the giant American industry required protection even after its firm establishment before 1900, how much greater is the force of such an argument when applied to the present condition of the Industry in India? And how great a benefit may we expect to the country from its application?

IV.

The principle is not new. It is admitted by all civilised Governments in the application of the patent laws which are intended to provide that an initial privilege to the producer of a new thing or of an old thing in a new manner and a consequent burden on the consumer will be balanced by ultimate gain. One thing is certain and that is that in Germany and America the two greatest examples of the application of protection to this industry as a growing industry there has been an extraordinary advance in all the technique and organization of manufacture since the adoption of protection with a consequent reduction in price. India which possesses the same natural advantages should be given the same opportunities. The burden on the consumer, if the import duty of 33½ per cent. which has been suggested is adopted, can hardly be weighed in the scale against the certain ultimate advantage.

V

But it does not by any means follow that the whole tax will fall upon the actual consumer. As Professor Taussig points out in his review of the effect of protection on steel rails in America, it would be hazardous to reckon how far the tariff system in keeping up the price of rails brought a burden on the general public, how far it simply lessened the profits or increased the losses of railway promoters and investors. The same considerations will apply to many Indian industries. Also the relation between the cost of constructing railways and the rates charged for railway service is a loose and uncertain one and steel rails were a cardinal factor during precisely these years in enabling railway traffic to be conducted more effectively and charges to be lowered. Also had rails not been produced within the country, the increased demand would have led to a great increase in the price of

imported rails which would probably not have been less and might have been considerably higher than the duty imposed. A similar condition existed in India after the War. Had the country not been able to make steel rails within its own territories, exorbitant prices would have been extracted for it during the years 1918—20 and either must have been paid or the essential minimum necessary to keep its transportation system alive must have been abandoned. Although we cannot hope to see in the immediate future any such development of railway communications in India as occurred in America during the last quarter of last century, these considerations must be given full weight.

VI.

Growth of
the Iron and
Steel
Industry in
America.

No economic development of the last century is so striking as the rise of the American steel industry. Whatever the ultimate cause this rise has occurred simultaneously with the enforcement of a protective tariff so rigorous as to be for many years practically prohibitive. If the free trader argues, as he commonly argues, that this has not followed as a result of the protective duty, but in spite of it he cannot at any rate deny the fact, and the obvious inference is that whatever else a protective tariff may have done, it has at any rate not damaged the industry or the industries dependent upon it for supplies of raw materials, a point of which much has been made in this country and on which many gloomy prophecies have been delivered. Such prophecies commonly proceed as do the majority of the arguments on any fiscal question from a lively appreciation of the prophet's own interests. Commonly also they entirely ignore the actual facts of the world's economic history and are based on purely deductive and inaccurate reasoning, a method which has now been largely discredited with economists in favour of the more accurate system of testing economic hypotheses by actual results as in other branches of science. It cannot be proved with certainty that the rise of the American Steel industry has been due to the tariff. No economic fact can be proved with certainty, but it can be shown that there is a very strong probability that protection during the initial stages was one of the principal if not the principal contributing cause to that extraordinary phenomenon of economic history.

VII.

The facts are plain enough. In 1870 Great Britain was by far the largest producer of pig iron. It may be explained here that most of the pig iron produced in the world is eventually converted into steel. America and Germany followed a long way behind and yet America had been manufacturing for nearly half a century. The point is important because it shows that the industry in America had by that time long passed the 'Young Industry' stage to which the Indian industry has hardly yet even attained. The actual figures in thousands of tons of production were these:—

	Great Britain.	United States.	Germany.
1870	5,963	1,665	1,391

The subsequent comparative development in these three countries of which the first enjoyed a long start in the traditional processes of manufacture and the advantages of free trade and the others endeavoured to counter these advantages by the imposition of a tariff is instructive.

	Great Britain.	United States.	Germany.
1880	7,749	3,835	2,729
1890	7,904	9,203	4,658
1900	8,960	13,789	8,348
1910	10,012	27,304	14,556

That is to say in the free trade country which started with the enormous initial advantage possessed by a country that has commenced an industry and made a success of it long before its competitors and which controls the world's market and the world's freights as Great Britain did in 1870, the increase in production was less than 100 per cent. In one of the countries in which the tariff was used to foster the industry, the increase in production was over 1,600 per cent. and in the other over 1,000 per cent. Figures such as these can hardly be explained away by deductive reasoning. "If, as the extreme protectionists contend, the growth of domestic industry is in itself proof of the success of their policy, a degree of success was attained in this case that could admit of no cavil." (Professor Taussig, *loc. cit.*)

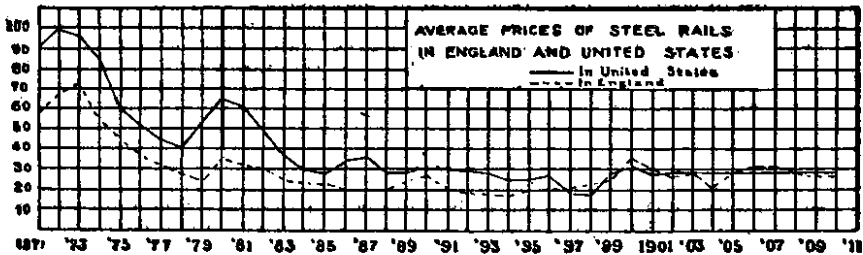
How far was this growth due to protection? On pig iron the actual duty imposed from 1870 to 1894 was seven dollars per ton: from 1894 to 1909 it was four dollars per ton. On steel rails the rate was twenty-eight dollars per ton from 1870 to 1883: seventeen dollars from 1883 to 1890: about thirteen and a half dollars from 1890 to 1894 and seven dollars and eighty-four cents from 1894 to 1909. Throughout the initial period from 1870 to 1897 the duties were levied by weight and were highly protective. On rails the duty was about one hundred per cent. on the foreign price from 1870 to 1897 and between fifty and eighty per cent. from 1883 to 1894. No such prohibitive duty has been asked for in this country although our industry is in a very backward condition compared with that of the industry in the United States in 1870. At that time the production of the United States was more than one-quarter that of Great Britain. The production in India to-day is only about one-twentieth of the production of Great Britain.

VIII.

The increase in the production of steel rails in America which occurred during these years has been beyond all precedent. It has risen from no production at all in 1870 to one million tons annually in 1880 to nearly two million tons in 1890, and after that it has been regulated solely by the needs of the rails. It is true that there has during this period been enormous railway development, but the rails could have been obtained from foreign markets and at the start could have been obtained more cheaply from them. The United States preferred the development of their native industry to the policy of buying in the cheapest market with the results that have been shown.

IX.

That they were justified in adopting this policy is proved by the fall in domestic prices. The following chart shows this very clearly:—



For the first twenty-five years until about 1895 the gap between the prices of foreign rails and domestic prices is great, and so great a difference could not have persisted had it not been for the high duty. For a long time the purchaser of all rails paid a tax because of the duty, and that difference

in price represents the initial sacrifice made by the American nation in return for the ultimate advantage which they have gained. From the year 1896 the domestic price fell to the level of the British price, for a time it even fell below it, and at no time since has it been substantially above this price until the recent depreciation of exchanges upset the prices of the whole world. For many years the American price remained perfectly steady. Here again the protectionist will point with pride, and this time with pride more clearly justified. The object of protection to young industries—the ultimate fall in price to the foreign level—seems to have been obtained. The course of events which thus is sharply defined for rails is typical of what has happened with all the cruder forms of iron and steel: extraordinary increase of domestic production: domestic prices at first higher than the foreign: continuance of imports for a while then their cessation; reduction of the domestic price; finally equality of price for the foreign and American products. To repeat the outcome seems to have been precisely that predicted by the advocates of protection to Young Industries. True the term 'Young Industries' is rarely applied to such a giant as the American Iron industry. But as has been pointed out, the contention that protection operates in the end to lower prices is simply the young industries argument in a different turn of phrase. Substantially it is this argument which has been advanced and which seems to be verified by the actual course of events. The protectionist may point with pride to the final outcome. In the end his object was attained; the industry became self-sufficing need no further props, eventually supplied its product as cheaply as could be done by the now fairly beaten foreigner. No one can say with certainty what would have been and the bias of the individual observer will have an effect on his estimate of probabilities. The free trader impatient with the fallacies and superficialities of current protectionist talk will be slow to admit that there are any kernels of truth under all this chaff. What gain has come will seem to him a part of the ordinary course of progress. On the other hand, the firm protectionist will find in the history of the iron trade conclusive proof of brilliant success. And very possibly those economists who, being in principle neither protectionists nor free traders, seek to be guided only by the outcome in the ascertained facts of concrete industry, would render a verdict here not unfavourable to the policy of fostering "national industry."

X

That this judgment is fair will be admitted by all who prefer to argue from facts rather than from prejudice. The history of the economic development of the steel industry in Germany is practically the same. The present position of India is very similar to that existing in those great countries when they first started on their successful campaign for the development of this national industry. India has the same enormous reserves of iron ore, coal and suitable fluxes. It is in the same stage of transition from agriculture to manufacture. It is faced by the same competition from foreign producers and it has the same expectation of large railway and industrial development ultimately within its own country. Moreover, at its doors are the large and constantly growing markets of the far East where already Indian pig iron has opened a large and increasing export trade.

XI.

The Effect of Foreign Competition. The growth of the iron industry in Europe and the States of America, the long start obtained by them has placed those countries in a position that makes the development of this young industry in India almost impossible or at least very precarious without assistance from the country. As John Stuart Mill says, it cannot be expected that individuals should at their own risk or rather to their certain loss introduce a new manufacture and bear the burden of carrying it on until the producers have been educated up to

the level of those with whom the processes are traditional. Yet this is precisely what has been done in India hitherto. It is extremely doubtful whether the producers in India can continue to bear this heavy burden in the present disturbed condition of the world with the depreciated exchanges, the dislocation and inefficiency of domestic traffic conditions, and the intensive dumping that have followed on the War.

XII.

The history of the American iron trade after 1870 has been to a very great extent the history of transportation. Compare the position in that country with this. In both the cheap carriage of the ore and coal is the indispensable condition of the smelting of the one by the other. In America, in the carriage of iron ore and coal the methods of railway transportation were developed to the utmost. Every possible use has been made of water transport and the transfer from rail to ship and from ship to rail on the great lakes, the carriage in the ship itself and the handling of the materials is effected at astonishingly low cost. At every stop direct manual labour has been excluded and the use of machinery enables the producer to move enormous quantities of raw materials as cheaply as possible. The railways have been raised to the maximum efficiency for the rapid and economical carriage of bulky freight; the plant has been made larger and stronger, the paying weight increased in proportion to the dead weight, the ton mile expense lessened by heavier rails, larger engines, longer trains and easier grades, the mechanism for loading, unloading, and transhipping perfected to the last possible degree. Compare with this the present condition of the Indian Railways, nineteen-twentieths of the capital in which belongs to the people of the country. Even now the raw materials required by the industry cannot all be carried by the railways; coal costs have increased out of all reason largely owing to the dislocation of traffic that followed on the War; and freights have actually been raised while other prices are falling. If a comparison is made with conditions in the older countries, the difficulties of the industry in competing with these are at once apparent. And another condition that applies peculiarly to this country are the giant combinations and trusts in the older countries. Owing to their size and organization these can always produce more cheaply than, apart from any question of dumping, a young industry growing up under the conditions that we have described in India. They will not be able to do so permanently. They will probably not be able to do so for very long, but undoubtedly they can do so at the start and until the steel industry in this country is firmly established.

XIII.

The original doctrine of free trade presupposed a fair and normal exchange and distribution of the world's wealth. It certainly took no account of the abnormal conditions existing at present which largely result from the desire of all producing countries to recover and extend their markets after the dislocation caused by the War. In these abnormal conditions the depreciation of the foreign exchanges have played a very large part. But legislation intended deliberately to foster and preserve the industries of the producing countries threatened by total extinction as a consequence of the War has also contributed greatly. Bounties and freight concessions have been granted in some countries for export trade, in others, and in fact practically in all countries except England and India, customs barriers have been erected to prevent unfair competition from abroad, full use has been made by the exporting countries of the depreciation in their currencies, and even in England prices for export have ruled consistently for over a year considerably below the prices for domestic consumption. All this is very unlike the conditions for the exchange and distribution of production between the various countries of the world contemplated by the Free trader, and it is not at all

Dumping and
Depreciated
Exchanges

impossible that the leading exponents of that doctrine confronted with conditions which had never occurred when they laid down its principles and which they could not have anticipated might have altered those principles to meet the altered conditions. The War has changed much for our generation, but there is hardly any sphere of human activity where the change has been so marked and so unprecedented as this. It is all very well to advise a country to buy in the cheapest markets, but in these abnormal conditions there is no saying which is the cheapest market or indeed that if it abandons its own industries it will eventually be able to obtain its needs from those countries which are now eager to supply it on any terms even though these may mean their own economic ruin within a very short space of time. It is the abnormal and temporary nature of this constantly recurring crisis through which the world is passing that justifies countries in endeavouring to prevent the unfair competition that has resulted from it. Even before the War such a doctrine was accepted by leading economists. The problems of dumping have been dealt with from a free trade point of view in Professor Taussig's Presidential address to the American Economic Association in 1904. In this he has laid particular stress on the principle that where dumping is temporary and will not continue indefinitely, the harm it does to the country that suffers from it will ordinarily be much greater than the advantage which that country will obtain by buying in the cheapest market.

XIV.

“ ‘Dumping,’ he said on that occasion, ‘I take to mean the disposal of goods in foreign countries at less than normal price.’ It can take place, as a long-continued state of things, only where there is some diversion of industry from the usual conditions of competition. It may be the result of an export bounty, enabling goods to be sold in foreign countries at a lower price than at home. It may be the result of a monopoly or effective combination, which is trying to keep prices within a country above the competitive point. Such a combination may find that its whole output cannot be disposed of at these prices, and may sell the surplus in a free market at anything it will fetch—always provided it yields the minimum of what Professor Marshall happily calls ‘prime cost.’

“ Now, if this sort of thing goes on indefinitely, I confess that I am unable to see why it can be thought a source of loss to the dumped country; unless, indeed, we throw over all our accepted reasoning on international trade and take the crude protectionist view *in toto*. If one country chooses to present goods to another for less than cost; or lets its industrial organization get into such condition that a monopoly can levy tribute at home, and is then enabled or compelled by its own interests to present foreign consumers with goods for less than cost—why should the second country object? Is not the consequence precisely the same, so far as that other country is concerned, as if the cost of the goods had been lowered by improvements in production or transportation, or by any method whatever? Unless there is something harmful *per se* in cheap supply from foreign parts, why is this kind of cheap supply to be condemned?

“ The answer to this question seems to me to depend on the qualification stated above—if *this sort of thing goes on indefinitely*. Suppose it goes on for a considerable time, and yet is sure to cease sooner or later. There would then be a displacement of industry in the dumped country, with its inevitable difficulties for labour and capital, yet later when the abnormal conditions ceased, a return of labour and capital to their former occupations, again with all the difficulties of transition. It is the temporary character of dumping that gives valid ground for trying to check it.

“ A striking case of this sort has always seemed to me to be that of the European export bounties on sugar which for so long a period caused continental sugar to be dumped in Great Britain. These bounties were not established of set purpose. They grew unexpectedly, in the leading countries,

out of a clumsy system of international taxation. They imposed heavy burdens on the exchequer, as well as on the domestic consumer, in the bounty-giving countries; and they were upheld by a senseless spirit of international jealousy. Repeated attempts to get rid of them by international conferences show that the cheap supply to the British Consumer, and the embarrassment of the West Indian planter and the British refiner, rested not on the solid basis of permanently improved production, but on the uncertain support of troublesome legislation. It might well be argued that these conditions would come to an end sooner or later. The longer the end was postponed, the worse was the present dislocation of industry and the more difficult the eventual return to a settled state of things. No doubt these were not the only considerations that in fact led Great Britain, the one great dumping ground, to serve notice that she would impose import duties equal to the bounties, unless these were stopped. Perhaps this decisive step would have been taken even if it had appeared that the bounties were to continue as a permanent factor in the sugar trade. But it is in their probably temporary character that the sober economist finds justification for the policy that led to their abolition. At all events there is tenable ground for arguing that Great Britain, in causing them to be stamped out, acted not only in the interests of the much abused consumers of sugar on the Continent, but in the permanent interests of her own industrial organization."

XV.

The principles stated in this extract apply very clearly to the conditions of the import trade in Iron and Steel into India during the past two years. The dumping due to depreciated exchanges which has led to such extraordinarily low prices of steel coming from Belgium and the continental markets cannot go on indefinitely. In Germany where the currency has fluctuated in the past 15 months from 350 marks to the £ to 25 million marks to the £, it is obvious that the producing and dumping country has reached a stage of economic disorganisation which cannot possibly continue without collapse. In Belgium, although the fluctuation has not approached this, there has still been a steady and continual depreciation of the currency and each fall has been followed by lower and yet lower prices for the Indian export trade. This has naturally re-acted upon English competition. The dumping which has been proved in the case of English steel by the continuance of lower prices for export than for home consumption is also the result of the same state of affairs and cannot continue indefinitely. This is conclusively proved by the fact that during the last two or three months on the cessation of the competition from the Continent owing to the disorganization caused by the occupation of the Ruhr Valley, this difference in price between import and export prices ceased altogether for two or three months and for that period the prices were the same. Continental competition, however, is now re-asserting itself as a result of the further depreciation of the German and Belgian currency and at once the English manufacturer has again commenced meeting such competition by selling for export at a price below the domestic price. As steel cannot be produced in England at the prices at which it is exported to this country (apart from other evidence this has been recently admitted by the Chairman of a large English Company in public), it is plain that this dumping also cannot continue indefinitely and is intended deliberately to meet the depreciation of the continental exchanges in foreign markets.

XVI.

Here, therefore, is exactly the case given in Professor Taussig's statement of the evils of dumping. It may be expected that unless it is checked, such dumping will continue until India is unable to carry on its normal industries. There will then be in this country the displacement of industry of which

he speaks with its inevitable difficulties for capital and labour, and the effect will be so disastrous as to far outweigh any temporary advantage which the country can obtain by buying for a short time in the cheapest market. It is this temporary character of the dumping that gives valid ground for checking it, and, as we have shown, it must, by its very nature, be temporary. But in using the word 'temporary,' it must be remembered that, as Marshall has pointed out, no accurate results can be expected from the application of any economic principle unless a considerable period of time is taken into account. By 'temporary' here is meant five or ten or fifteen years as opposed to a hundred. It is the long view that must condition all economic theory. The same system of bounties exists in the shape of direct bounties for export, special reductions in freight, purchase of coal and coke, etc., in depreciated marks from Germany, in Belgium and on the Continent generally for the export of iron and steel as the export bounties on sugar, to which Professor Taussig refers. Just as Great Britain in that case was the one great dumping ground for continental sugar, so is India the one great dumping ground for steel in the world by reason of its large demand, the cheap freight available owing to the fact that it is a large exporter of food grains, and the fact that practically every other country in the world, including the self-governing ones, has already erected a wall against such unfair competition.

XVII.

Direct bounties for export can be proved easily enough. But it is impossible to prove accurately the indirect concessions and advantages which we have indicated. They are no evidence of superior natural advantages or of superior manufacturing skill. The longer the end is postponed the worse will be the present dislocation of industry and the more difficult the eventual return to a settled state of things. Owing to the difficulties of getting at the facts it is impossible for India to do what Great Britain did in the case of the sugar bounties and to put a stop to those conditions by imposing countervailing duties, but this country can and should do this indirectly by raising the protective tariff against countries with depreciated exchanges, and if the suggestion for a duty of 33½ per cent. is accepted, this could be raised to 50 per cent. in the case of such countries or a sliding scale imposed as in the case of Canada which would vary as the exchange rose and fell from normal. Such a sliding scale might well be provided in all cases as exchange is an important factor in the problem.

XVIII.

It has been shown that there is strong *prima facie* ground for holding that the extraordinary development of the iron and steel industry in America during the last quarter of the last century was the direct result of the system of protection afforded. It would be easy to multiply such instances. Similar facts might be proved for other industries in the United States. Many similar examples can be found in the economic history of other countries, Germany, Canada and Japan, and in fact there is no producing country in the world with the single exception of England which has not sought to develop this national industry and succeeded in developing it by some form of protection. England would probably have adopted it were it not that by reason of the advantage which it possessed in starting the industry before other countries it was already a large exporting country before competition arose. It has been shown that such protection afforded to a young industry is not opposed to the doctrine of free trade and is indeed advocated by its principal adherents. It has also been shown that the position of the industry in India is peculiarly similar to that of the industry in America and Germany when protection was first adopted by those countries and that similar results, although not on so large a scale or in so short a time, may be confidently

Summary

expected to follow its adoption in this country. It has also been shown that time must be given for the effect of such measures and that the measures which have been advocated are far lower than those adopted by other countries. In the first pamphlet the Indian Steel Industry as represented by the Tata Iron and Steel Company has been dealt with specifically, but the arguments adduced here are applicable to all young industries in the country whose development is economically sound and are put forward confidently in order to show that protection in this shape and for this purpose is not opposed to the general doctrine of Free Trade and is indeed approved by it.

TARIFF BOARD

The Protection of Young Industries

Representation submitted to the
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