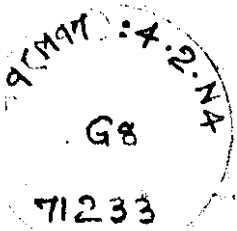


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Its Transport Problem

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Importance of the Industry

The importance of leather industry in national economy has been sufficiently emphasised by eminent authorities ; it supplies the most essential requirements of the people during the days of war and peace alike. It is one of the key industries of every country and attempts are being made to foster it with the aid of science and other artificial devices, even where natural conditions are against its healthy development. This tendency has been strengthened during the post-war period, due to the growing spirit of economic nationalism and self-sufficiency arising as an aftermath of the Great War. Hence the need of the present study. In the following pages we propose to study the organisation of Indian leather industry with special reference to railway rates.

The Place of the Industry in the World Market

In the absence of the statistics of the production of raw stock it is difficult to make a precise estimate of the present position of the industry and its place in the world market. We shall have, therefore, to base our study on the information collected by the different experts in their individual or collective enquiries. The Indian Industrial Commission held that in India there are about 180 million cattle and 87 million sheep and goat.¹ According to the cattle census of 1924-25 the number of cattle is taken to be 183 millions. The estimates placed before the Hides and Cess Enquiry Committee vary between 30 millions and 12 millions.² Due to the uncertainty and speculative nature of the data, therefore, the Committee could not make any definite estimate.³ But it has been recognised that the figure of 25 millions is not an overestimate.⁴

1. *Vide*, Report, Appendix D, p. 354.

2. Mr. Chari's estimate was 30 millions, that of the Calcutta Hides and Skins Shippers' Association 20 millions, and a still another estimate was 12 millions.

3. *Vide*, Report, Para 14.

4. *Ibid*.

Production of Skins and their economic importance

GOAT SKINS :

The precise estimate of the total output of goat and sheep skins is even more difficult to formulate. But the production is accepted to be very important notwithstanding the absence of reliable data. This is clear from the exports of Indian skins and the position they hold in the world market. Indian hides meet a very keen competition in the world market, as they have to stand against the exports of Canada, Irish Free State, the Union of South Africa, etc., in the British market where they are largely exported. The exports of Indian hides are mainly to Great Britain. But, in the case of skins India occupies a superior position in the world market, as she produces about one-third of the world's exportable surplus of goat skins.¹ No doubt, goat skins are also exported by South Africa, China, Brazil, Argentina, Mexico, Russia, Morocco and Turkey, but the position of India is strongest of all. Due to the strong position Indian skins hold in the international market it has been often asserted that India can dictate her terms to buyers of goat skins, and therefore the imposition of export duty on skins is advocated with justification.² Furthermore, the development of chrome tanning has increased the importance of Indian skins.³

SHEEP SKINS :

India's position as a producer of sheep skins is not so strong in the world market. The reasons for this state of affairs are obvious. The sheep-rearing industry has been completely revolutionised in the western countries, whereas in India old and primitive methods are

1. "It has been calculated that India accounts for nearly one-third of world's production of goat skins." Mr. McWatter's Review.

"The goat skin production of India is undoubtedly the largest in the world." Arnold, "Hides & Skins."

2. See, Prof. Vakil's *Trade and Industry in Modern India*, p. 384.

3. In estimating the importance of Indian skins in the world market is interesting to note the opinion of the Hides and Cess Enquiry Committee. The committee opine "As regards goat skins India's position is somewhat stronger. Her production is estimated to be about one-third of the world's, and even though her share of the world's production of goat skins is only a little higher than her share of world's production of hides and skins, experts generally agree that her position in the world's markets is stronger in the case of goat skins than it is in the case of hides. It has been claimed that certain classes of goat skins, especially those produced in the eastern provinces, possess unique qualities."

Report of the Hides & Cess Enquiry Committee, Para 22.

being continued to this day. In Europe and Australia sheep rearing and feeding industry has been reorganised and the mediæval shepherd tending a small flock of sheep has made way for the large flock masters, having large consolidated pasture lands, who devote their entire resources and time to operating large sheep stations. Scientific knowledge is being applied to improve the quality of sheep. In India, on the contrary, sheep rearing has become an uneconomic subsidiary employment. No wonder, then, if India's position as a supplier of sheep skins is not so strong as it ought to be. In India both breeding and rearing of sheep needs improvement.

Present Organisation

Trade in Hides and Skins :

We now propose to review the internal organisation of the industry in its different aspects—trade in raw hides and skins, tanning, and leather. The trade in hides and skins in our country presents peculiar difficulties which needs be clearly comprehended lest they should lead to hasty generalisations. Besides, the peculiar features of the trade and the defects in its organisation vitally affect the transport problem and no improvement in transport facilities, however well-planned, would help the development of the industry until the organisation of the trade is improved side by side ; scheme of all-round reform can alone achieve success. Therefore to a student of transport it is necessary to review the allied and the fundamental features of the industry to facilitate a clearer understanding of the transport position.

The production of hides in a country depends upon its number of cattle and in this respect, as has already been adverted to, India occupies an important position in the world market. The Imperial Economic Committee in their Report on Hides and Skins remark, "*India we propose to treat separately, not because its produce is intrinsically different throughout from that of Tropical Africa, but because the Indian trade is very large and presents certain special features.*"¹ In respect of the number of cattle India occupies the highest place among the countries of the world, her cattle population being about 183 million,² and the U.S.A. is a bad second with about 67 million. *The most lamentable feature of the industry is the lack of reliable data as to the extent of the total output.* The value of total raw stock produced annually has been estimated to be about

1. *Vide*, Report ; Para 59.

2. *Vide*, Report of the Indian Hides & Cess Enquiry Committee ; Para 14.

20 crores of rupees.¹ The value of hides and skins, with the increase of population, spread of civilisation and the improvement in the economic conditions of the people, as a result of increased productivity and better distribution of wealth,—a trend dominating the world economic movement—and the consumption of leather, is increasing apace, so that even wild beasts such as tigers, leopards, etc., reptiles like lizards, crocodiles and snakes, aquatic animals like Seals and Sharks are not being spared. Lizard and snake skin shoes have taken possession of feminine fancy.² All these economic movements bring to the fore the necessity of better study and organisation of this most important and yet neglected industry.

An outline of the Trade : its technique ; Collection.

Now we propose to outline the organisation of the trade, or more properly its handling, for internal consumption and for export. The village chamars collect the 'fallen' hides, and if not required personally, carry them to the local market for sale. Here generally the agents of the commercial firms dealing in hides and skins come regularly and purchase from the chamar, the price being determined by the competition, if any, of the collecting agents *inter se*, world prices having thus only an indirect effect. Besides, these collecting agents often lend money to the chamars and the influence *ab extra* they exert upon the seller further lowers the price.³ The agent thereafter despatches the hides and skins thus collected to the nearest godown of the firm he collects for, or if he is an independent merchant he sends the consignments to his commission agent, or the arhatdar as he is commonly known, of whom we shall have to know a little more later. It may be noted that the production of 'fallen' hides and skins is casual and irregular, but these scattered stocks when collected constitute a very important part of the total trade. The part played by railway transport till this stage is not important because the means of transport used by the village chamar are generally the village pony or bullock cart, and often he carries himself. Similarly,

1. *Vide*, Report ; Paras 14 and 109.

2. See, B. M. Das, *Capital*, Sept. 13, 1928.

3. See, *Hides & Cess Enquiry Committee Report*, Para 73.

"Ignorance of the seller of the ruling prices, his poverty and consequent lack of waiting capacity, and the absence of competition among the purchasers result in substantially lower prices." The Committee adds : "It is true that the rise or fall of the world price of raw stock ultimately does influence the price obtained by the primary producer of 'fallen' stock in the villages of India, but owing to a variety of reasons the adjustment between them takes much longer time and is far less complete than it might be."

when the collecting agents send their stocks to the nearest trade centre railway transport may or may not come in, the distance being the determining factor.

Besides the 'fallen' raw hides and skins, we have slaughtered stock which is superior in quality. These stocks are better handled, being worked by the professional butchers, and generally in towns, reducing thereby the number of intermediaries. The production is more regular and better organised. A large proportion of slaughtered stock is consumed in the country itself ; even tanneries situated at some distance generally have their arrangements for the buying up of such stock in the important slaughter houses.

Quality of Indian Hides and Skins

Indian hides are generally inferior in quality due to lack of organisation, and the defective methods of curing and preserving hides. The defects from which Indian hides suffer have been critically examined by the Hides and Cess Enquiry Committee¹ and the evidence placed before it is very valuable.² It will be enough for our purpose to note in brief a few of the more important defects as affecting the value of the hides.

In this connection the defects arising from *faulty handling of the carcass* in the villages and in the slaughter houses needs special mention. The quality of the 'fallen' stock is affected by manifold social and economic factors working on the village life. The aversion of the Hindu to kill animals is almost proverbial ; but the economic condition of the people is such that they find it difficult to feed adequately their cattle, especially the old ones which do not give milk or any other service. These old cattle which have become utterly useless are allowed to drag on a miserable existence ; their owner occasionally gives them some fodder but mostly they have to depend upon what they can pick up for themselves. Even the young and productive cattle are not properly fed due to the poverty of the agricultural population. The result is most obvious ; the value of Indian cattle has fallen and in some cases they have become uneconomic, and yet the pathetic situation is that all have to be maintained. The practice, therefore, operates in vicious circle. The cattle population, an integral part of the rural life in this country, being underfed and uneconomic, affects adversely the villagers and the result of the

1. Refer Chapter IV of the Report.

2. Some important references are : *Flaying* : pp. 6, 10, 16, 24, 32, 44, 53, 95-97, 87 ; *Curing and Preserving* : pp. 45, 59, 97, 288.

Vide Evidence Vol. II.

action and reaction of these forces is the ultimate loss to the community. The cattle, therefore, become an easy prey to diseases.¹

Furthermore, the hides and skins of 'fallen' animals are generally the perquisite of the village charmar, the owner having no longer any interest in it. The charmar carries away the dead animal and removes the dead carcass. The methods employed by the charmar are, however, very defective and may be noted with interest, as affecting alike the rural economy and the leather industry. The dead animal is carried to the special spot assigned for flaying of the dead animals of the village and the method of handling is very crude, for he often carelessly drags the animal if his companions are not sufficient in number, causing serious damages thereby to the skin. Not infrequently a long interval takes place after the dead animal is carried to the spot and the skinning begins, with the result that vultures damage the skin during this interval. Further, this work is often delegated to the younger members of the family who are less skilful, and therefore the quality of the carcass suffers.

The handling of the hides in slaughter houses is equally defective. How these factors affect the quality of the hides has been ably proved by the Hide and Cess Enquiry Committee.²

Collecting Centres and Trade technique outlined

The hides thus damaged are collected at the important trade centres from the locality round about. Railway transport plays more important part at this stage, both in the case of hides and skins consumed in the internal tanning factories and those exported abroad. Here one important characteristic of the trade should be noted ; and it naturally follows from what we have discussed above. The hides and skins are brought to the different important trade centres in lots and each constituent of these lots varies considerably in quality, weight,

1. The Committee remarks : "The cattle disease is rife and takes a heavy toll among animals whose conditions as regards feeding during the greater part of the year can only be described as semi-starvation. Their resistance against the outbreak of contagious diseases is feeble, and when a serious outbreak takes place, large numbers of them succumb. During famines and seasons of draught which occur every few years over large areas in the country the toll of deaths is heavy."

2. The faulty methods of flaying and the reasons accounting for them have been grouped as : firstly, personal, viz., the flayer's lack of skill and general carelessness ; secondly, material and environmental, viz., unsuitable knives, insufficient space, dim light, lack of suitable arrangements for suspending the carcass, etc. ; thirdly, those connected with the conditions of meat supply, the system of buying the slaughtered hide and the system of employment of flayers and their work.

Refer Report, Paras 48-53.

size, etc., and therefore some sort of rough grading is resorted to at this stage. The system of purchase and sale differs a little here with the condition of the seller. If the seller happens to be an independent collector, having no connection either with any exporting firm or tannery, who has collected the stock from the neighbouring village markets, he puts the lots on the market and the purchasers have to quote a price for the lot as a whole.¹ On the other hand, if the sale is undertaken by the commission agent on behalf of his client, he, before putting the stock on the market, grades them. Grading is indeed very difficult and the process is a little complicated, and especially that for export. Bigger tanneries have generally agents who purchase on the spot. These agents are often people who have considerable experience in the trade. Others have to purchase through the commission agents, who in fact, render very useful service to the trade.

"The Commission Agent"

The commission agent is, in fact, an indispensable part of the trade as at present organised. He deals with different classes and descriptions of customers. His most important customers are the big butchers of important towns like Cawnpore, Lucknow, Agra, and such others, and the parcels of hides despatched to them at a time vary from 100 to 1,000 hides. To other class of customers belong the professional collectors, butchers of the smaller towns who also undertake to collect the hides from the neighbourhood for profit. But the arhatdar is only a commission agent and nothing more. He receives the hides, stores them in his godown, and sells them to the shippers or the tanners, as the case may be. He does not actually purchase the hides himself and they do not at any time become his property. His commission is realised when the hides are sold and is generally pre-determined. The commission does not depend upon the price obtained but usually varies with the number of hides offered for sale. The success, however, of the arhatdar depends on obtaining good prices. It should be noted that arhatdar undertakes also the financing of the collectors, and sometimes advances as much as 75 per cent of the value of the hides despatched to him on the receipt of the railway receipt ; and, when the competition is keen, he may advance as much as 100 per cent. He gets no interest on these advances. He also advises his customers about the conditions of the market and the time

1. See the Evidence Vol. II, *Supra* ; especially the Report of Lt. Col. Forester Walker, pp. 21-22. Also Indian Industrial Commission Evidence Vol. II, p. 736, and Vol. V, pp. 735 and 741.

of sale. Thereafter he assort the hides, negotiates the sale, realises the price and remits it to his principal.

Export Trade : its technique

The export trade and its technique may now be briefly discussed, before we take up the question of railway freight. The total value of the exports of raw hides and skins is about 10 crores of rupees per annum. The importance of the export trade and its relation to internal trade has been estimated to be about 3 : 4. To put in words of the Committee, from the point of view of value the ratio of the relative importance of the two branches of the Indian raw hide and skin trade, viz., (1) internal and (2) external is about 4 : 3. In absolute figure the total value of the trade (average of the triennium ending 31st March 1929) is 18½ crores and that of the export trade about 8 crores. The difference between these two figures represents the value of the trade serving the entire Indian tanning industry.¹ It is clear, therefore, that both the aspects of the trade are equally important.

Indian hides and skins are generally known by the geographical areas in which they are produced ; but due to long association of these names and the definite standard of quality, the geographical names have now acquired a connotation more of quality, so that to-day a hide known as Dacca or Darbhanga need not necessarily come from Dacca or Darbhanga but from other places as well if it possesses the standard specification and quality of the above hides. Therefore the classification of the raw material according to the areas of production is closely linked with the quality. Thus we have hides known as Darbhanges, Daccas, Purneahs, Meherpores, Ranchis, etc., in Bengal and Behar ; as Agras and North-Westerns from the Northern India ; Bangalores and Coimbatores in the Southern India ; and similarly of other parts. Mr. Paterson explaining this basis of the classification stated that a great deal has been made of this classification and that geographical divisions were nothing more than mere trade marks. By the custom of the trade, he added, hides are divided into the following classes :—(i) *Agras*—well cleaned hides of a good yellow colour ; (ii) *Purneahs*—darker and not so well cleaned ; (iii) *Patnas*—badly cleaned hides with flesh and sinews adhering ; (iv) *Bazar*—very badly cleaned and rotten in places. He finally concludes that these different divisions only denote quality.² The selector in classifying the hides makes no enquiries as to the place of origin and simply

1. Report, Para 15.

2. Refer written statement of Mr. J. C. K. Patterson, Indian Industrial Commission, Evidence Vol. II pp. 736-41.

assigns each hide to each class according to its condition when he sees it. Most of the best dried hides do, of course, come from Agra and the neighbourhood. But if a hide of this quality was produced or cured in Calcutta or anywhere else, it would still be classed as Agra.¹

These hides are further subdivided as commissariat, slaughtered, dead, rejected, and double rejected. Commissariat hides are the best possible hides in their class and are confined mainly to Agra and were so named because the best hides come from commissariat slaughter houses. Slaughtered hides are average first class hides without defect or blemish. Dead hides are similar to those slaughtered with some defects like those of a cut or brand mark. Rejected hides are those very badly cut or branded. Double rejected hides are the worst class of hides, rotten in places and very badly marked or branded.

A further subdivision is based on the weight of the hides and are classed as heavy, middle and light in each quality of each class. Thus, on the whole, there seems to be nothing really abstruse about the classification, as is often made out. It is indeed very difficult for the exporter who generally transacts business on a very large-scale to sort out every lot of hides and select for himself. This work is entrusted to two functionaries, one the arhatdar who does selection work in his godown,² and a second time in the shipper's godown for export. One selection is checked by the other and it seldom happens that there is much difference between the two, because this work of selection is undertaken by experienced men, usually Mahommedans, who have been brought up to the trade. The shipper's classification of the hides is tested as in any other business by the amount of satisfaction which he gives to his buyers. For maintaining the good-will of his business he must keep up definite standard or else he would lose his customers. The classification is therefore automatically adjusted.

When the shippers purchase from the arhatdars they visit his godown, examine and select the parcels of hides offered for sale, and according to their own selection offer a certain price for them "all-round." Thus the selection of the arhatdar is not of much practical importance and is used merely for obtaining an idea of the probable price to be realised, the real and effective classification being of the shipper himself. The arhatdar takes the best price obtainable and

1. *Vide, Supra.*

2. Arhatdar is also invariably a store-keeper.

thus concludes his part in the business. The "all-round"¹ sale means that the buyer must accept a parcel containing a certain proportion of all classes and that he is not entitled to include the better classes and to reject the worse, the reason being that unless the hides are lumped together in this way, it would be impossible to find a market for the worse classes of hides and these would be unsaleable. The success of the German firms during the pre-war period was largely due to the fact that they were willing to purchase "all-round," whereas the other firms desired to purchase only the better qualities. This in short is the technique and organisation of the raw stock trade.²

Statistical Review of the Export Trade :

The lack of adequate statistics as to the internal consumption of raw hides and skins has been previously referred to, and therefore we propose to have a succinct review of the export trade. It will be seen from the figures that exports of hides and skins tell a different story ; while the former are barely maintaining a *status quo*, the latter are showing a marked upward tone, especially in value. This has remarkable significance to a student of transport as will be seen presently. Let it be mentioned that in the present study we shall be concerned more with the present position of the trade and its comparative pre-war position. The exports in raw cow hides have fallen by about 40% in tonnage and about 60% in value ; the average declared value per ton has fallen from Rs. 1,432 in 1912-13 to Rs. 1,151 in 1928-29. The export of raw buffalo hides have fallen by about 50% in weight and about 66% in value as compared with the pre-war year ; the average declared value per ton having fallen from Rs. 1,101 in 1912-13 to Rs. 822 in 1928-29. The exports of skins are certainly encouraging. The total exports of calf skins, both cow and buffalo, have fallen by about 20% in tonnage and value as compared with the pre-war year, the average declared value being almost the same. But the exports of goat skins have risen in value from 26 thousand tons valued at about Rs. 342 lakhs in 1912-13, to about 22 thousand tons valued at Rs. 496 lakhs, the average declared value being Rs. 1,312 in 1912-13 and Rs. 2,294 per ton in 1928-29. The export of sheep skins has fallen in value by about 50% and slightly more in value, the average declared value per ton having fallen from

1. The all-round parcel of hides might, for instance, contain the following qualities :—

80% slaughtered, 10% dead, 5% rejected, and 5% double rejected.

2. For further details refer to Appendix 7 and 8 of the Report of Hides and Cess Enquiry Committee.

Rs. 1,471 per ton in 1912-13 to Rs. 1,367 per ton in 1928-29. This fall in the exports of raw hides is due to reduced trade with Germany,¹ Austria and Hungary, imposition of 15% export duty, the general world depression in trade which followed after the export duty was reduced to 5%, and the development of tanning industry in the country.

Railway Rates :

This brings us to the critical study of railway rates as affecting the development of the trade. The statement submitted below shows the traffic in hides and skins carried by the more important railways for a pre-war and a post-war year² :—

	1913-14 (000's omitted)		1922-23 (000's omitted)			
	Tons.	Rs.	Hides.		Skins.	
			Tons.	Rs.	Tons.	Rs.
B. & N. W. Rly. ...	11.4	79.8	9.5	134.7	...	...
B. N. Rly. ...	14.7	142.6	7.1	166.6	3.4	50.1
E. B. Rly. ...	17.6	119.7	11.5	199.7	...	...
E. I. Rly. ...	39.8	620.7	16.6	399.9	6.5	132.4
G. I. P. Rly. ...	23.4	353.5	7.8	177.9	17.7	411.1
M. & S. M. Rly. ...	37.2	329.3	11.8	240.2	22.9	399.4
N. W. Rly. ...	39.0	465.5	12.6	206.7	10.9	226.2
S. I. Rly. ...	16.5	134.4	...	...	6.6	85.3
B. B. & C. I. Rly. ...	5.6	57.6	...	...	6.8	131.4

Before we discuss the figures it should be recorded that *the Railway Board has discontinued recording the statistics of traffic carried in hides and skins* and therefore we had to rest content with the figures of 1922-23. This action of the Government is indeed injurious to

1. The exports to Germany which were valued at Rs. 307 lakhs in 1913-14, ceased during the war, and after the resumption of trade relation were valued at Rs. 126 lakhs in 1925-26, 184 lakhs in 1928-29, and 112 lakhs in 1929-30. Similarly, the exports to Austria-Hungary which were valued at Rs. 184 lakhs in 1913-14 have fallen to Rs. 19 thousand in 1929-30.

Refer Prof. Vakil's "Trade & Industry in Modern India." p. 376.

2. The Statement is compiled from the Reports of Railway Board Vol. II, and Mr. S. C. Ghose's Monograph on Railway Rates, p. 456.

the interests of trade and industries because now we get no idea as to the traffic in hides and skins carried by different railways and the earnings derived therefrom.

The Relative Importance of different Railways :

The foregoing figures indicate the relative importance of the different railways as carriers of hides and skins. It will be seen that the E. I. Railway hauls the largest tonnage, because Calcutta is the most important port for export. Besides, the E. I. R. serves the most important areas producing hides and skins. In conjunction with the B. & N. W. R. on one side and the N. W. R. on the other, it links up the important centres of trade in hides and skins with the Calcutta port. It carries to Calcutta hides and skins from Bengal, Bihar, United Provinces, and to some extent even from the Punjab. In fact Calcutta has become such an important centre of hides and skins trade because of the E. I. Railway which links up most of the important centres. The M. & S. M. Railway is equally important because it serves the important tanning factories of the Southern India and supplies them with raw materials from distant centres like Cawnpore, Agra, Delhi and Calcutta, and carries their finished products to ports of Madras for export. From the figures of export trade appended to the chapter it is clear that Madras does not command good export trade in raw hides and skins, but in tanned products it surpasses all the ports. G. I. P. Railway also carries good traffic in hides and skins and ranks only next to the above two lines. Next in importance comes the N.W. Railway, serving as it does some of the most important centres in Northern India, e.g., Lahore, Delhi, Peshawar, Amritsar, Karachi, etc.

Furthermore, on a comparison of the figures of both the years, as given in above table, we find that the traffic received a serious setback in the latter year. This was due, *inter alia*, to large stocks which were thrown on the market after the declaration of the Armistice, a fact which curtailed the foreign demand for Indian hides and skins and consequently the exports declined. Again, as adverted to above, Germany and Austria-Hungary, being ousted out of the Indian market, during the war, could not easily regain their hold on the market ; their tanning industry was dislocated due to the catastrophic war and its aftermath—they being the two of the most important countries who had to bear the brunt of world cataclysm, and especially the former, which, to add insult to injury, was groaning under the growing weights of obligations imposed by the treaty of Versailles. The preferential tariff barrier further strengthened this tendency and, far from helping the Indian tanning industry, shifted the trade from Hamburg and other continental ports to London. Thus, all these factors conspired to create

the condition which had their most obvious repercussions on the traffic and the earnings of the railways. Although it is not proposed to discuss the *raison d'être* of this shifting in the centres of trade from Hamburg to London, it should be noted that this change meant a considerable loss of trade to India which has not been recouped as yet. The loss in railroad traffic and the earnings was therefore appreciable.

Yet another interesting conclusion can be drawn from the foregoing figures. Here we have some indications of the distance over which the traffic is carried on the different railways, or, to be more precise, the average length of haulage. This indication, albeit rough, is very useful. Let us take the figures of 1913-14. The B.N.W.Rly on a tonnage of about 11 thousand tons earns about Rs. 80 thousand, whereas the B. N. Rly. on a traffic of about 15 thousand tons earns about Rs. 143 thousand. The higher *pro rata* earnings are due, *inter alia*, to longer distances over which the B. N. Rly. carries its traffic. This longer length in haulage can be partly traced to the fact that the B. N. Rly. links up the distant areas in the Central Provinces to the Kidderpore Dock, whereas the B. & N. W. Rly. unfortunately does not serve any port and as such has to share its traffic with the E.I. and the G.I.P. Railways ; it feeds the other railways. Here we lay hand upon a general characteristic of railroad extension and working. This characteristic feature is that it is advantageous for a railway line to be linked directly to an important port ; it is a most important financial asset and both the port and the railway profit *inter se*. Similarly, the average distance which a consignment traverses seems to be higher on the B. N. Rly. as compared with that on the E. B. Rly. Average length of haulage seems to be the highest in the case of E. I. Rly., because on a traffic of about 40 thousand tons it earns about Rs. 620 thousand, which comes to roughly Rs. 15½ per ton. This is indeed the highest. When we work out the earnings per ton of the more important lines it is found that they vary from Rs. 7 per ton to Rs. 14 per ton.¹ Next to the E. I. R. is the G. I. P. Rly. These indications, to repeat, are very broad and they indicate merely the general tendencies ; no claim at mathematical precision or accuracy is made, because there are several other factors, for instance, the incidence of freight charged, which may be affecting the receipts. Again, the freights might have been placed at a higher level on no unjust grounds ; the hilly nature of the region to be traversed, the conditions of carriage, etc., may affect the freight. These conditions, however, cannot vitiate the general trend

1. The earnings per ton of the B. & N. W., B. N., E. B., E. I., G. I. P., M. & S. M., N. W., and S. I. Railways work out to be roughly Rs. 7, 10, 7, 15½, 14, 9, 12, and 8 respectively.

of the traffic which we have marked out, though they might question the ratios worked out, the accuracy of which we ourselves do not press.

We shall carry the analysis further. We shall study the figures of 1922-23 on similar lines. To take up the traffic in hides, it is found that the approximate earnings per ton of the B. & N. W., B. N., E. B., E. I., G. I. P., M. & S. M., and the S. I. Railways roughly work out to be Rs. 14, 23, 18, 24, 23, 20, and 17 respectively. Thus, there seems to have been important changes in the earnings per ton of the different railways. The earnings of the different railways increased considerably as compared with the pre-war year 1913-14, even when the traffic or tonnage had appreciably fallen. Thus, whereas the B. N. R. earned about Rs. 142 thousand on a tonnage of about 14 thousand tons in the pre-war year, in the year 1922-23 it earned Rs. 166 thousand on a tonnage of about 7 thousand tons. Thus, the receipts per ton doubled. The gross earnings also increased from about Rs. 142 thousand to Rs. 166 thousand. The railway company made a higher net profit on a lower tonnage. This was obviously detrimental to the interests of the trade and industries of the country, although the railway concerned profited from the change. This state of affairs seems to be due to the general enhancement in freight charges in the post-war years. Therefore the *pro rata* increase in earnings is common in the case of all railways, although the exact proportion varies in individual cases. In what follows, therefore, we shall examine the rates policy of the different railways separately.

Rates on Hides and Skins :

In the General Classification of Goods, hides and skins are subdivided into dry and wet and the freights charged vary accordingly. Hides and skins, dry, are classed in the fourth class, railway risk, on actual weight ; but on wagon loads and when loading and unloading is undertaken by the consignor and the consignee respectively, they are classed as third class, railway risk, and second class owner's risk. Hides and skins, wet, are similarly classified with a slight difference as to conditions of wagon load.

Rates on N. W. R. :

On the North-Western Railway special station-to-station rates are quoted from some important collecting centres to Karachi for export, whereas other internal centres like Delhi, Lahore, Agra, Cawnpore, etc., where tanneries and leather factories are working, are denied the same facilities. The nature of advantage enjoyed by the export traffic will be clear from the rates submitted below :—

Rates on Hides (wet and dry) on Wagon Loads to Karachi.

From.	Rate per maund. (wet)	Rate per maund. (dry)
Via Agra East Bank	Rs. a. p. 0 12 8	Rs. a. p. 1 0 10
Agra Fort	0 12 8	1 0 10
Bareilly City (Via Kasganj) ...	0 15 2	1 2 0
Belaganj	0 12 8	1 0 10
Cawnpore and Via... ..	0 13 7	*
Delhi (Lahori Gate)	0 14 5	*
Via Delhi Sarai Rohilla	0 14 5	1 3 2
Farukhabad	0 14 2	1 2 8
Hathras City	0 13 0	1 1 3
Via Idgah (Agra)	0 12 8	1 0 10
Izatnagar	0 15 2	1 2 0
Shahmatganj	0 15 2	1 2 0

* From Delhi (Lahori Gate) and Cawnpore traffic is carried to Karachi at Re. 0-14-5 and Re. 0-13-7 respectively, via Kucheman Road and Hyderabad.

Lower Rates to the Ports :—The foregoing special station-to-station rates, lower than the class rates, seem to have been quoted in competition with the E. I. and G. I. P. Railways, due to port competition. Apart from the reasons which may be advanced in support of the measure, it cannot be denied that *railway freights are so arranged as to favour exports*. Besides, even from the strict considerations of railway economics *such competition can scarcely be justified when it is recollected that most of these lines which compete inter se are State-owned and State-managed*. So also, it leads to waste in form of higher transport costs when one railway line intrudes into the geographical area of the other line and tries to draw out the traffic by offering inducement in form of lower freight charge. It may be suggested that *when the lines concerned are owned and managed by the State it is easier for the State to so arrange the rate structure as to minimise this overlapping of spheres and to carry the traffic to the nearest port. The result of*

the present practice is that railways incur losses in drawing this competitive traffic and the loss has to be made good by raising the freight on the non-competitive traffic. Here the objection may possibly be raised that diversion of the competitive traffic which meets the out-of-pocket expenses incident to the traffic and leaves something to meet the capital costs is really a profitable business because the residual share thus left helps to lower the freight of the non-competitive traffic. This general principle of railroad economics is, however, subject to limitations. The principle underlying this general statement should be cautiously construed and applied ; it should not be stretched too far. When the railroad systems are worked as separate units some competition is indeed necessary, but the tendency for competition is inherent and hence it has to be regulated and checked rather than stimulated and fostered. But in India, and especially in the case immediately before us, the competing lines are owned and worked by the same authority and hence the most important reason which calls for competition, is removed. Therefore, the competition between these lines instead of leaving any residual share would lead to waste, in form of unused capacity and a reduction in net receipts as a result of lower freights on competitive traffic. So, the State, on the whole, is a loser. This loss is recouped by raising the rates of non-competitive traffic, and hence the national industries suffer. The foreigner, thus, enjoys double advantage, inasmuch as he is able to carry his raw materials at lower rates, due to this port competition, and imports his finished goods into the country at the favourable freight ; and, above all, he is in amicable surprise to note that his competitors, Indian manufacturers, have to pay relatively higher freight both in collecting the raw materials from internal centres and in marketing their finished products. The geographical advantage of the indigenous manufacturer is neutralised and in some cases he is put to a disadvantage as compared with his foreign compeers. This is especially so in the case of industries which have to carry their raw materials and finished products over longer distances and over more than one railway system.

In addition to the foregoing reduced rates to Karachi quoted by the North-Western Railway, we find that station-to-station rates are also quoted from other important collecting centres to Karachi as tabulated below :—

Rates per maund to Karachi.

From.	Dry Hides and Skins.	Wet Hides and Skins.
	Rs. a. p.	Rs. a. p.
Amritsar	1 0 10	1 13 8
Delhi and Via	1 3 2	0 14 5
Via Ghaziabad	1 3 5	1 0 0
Kasur	0 15 9	0 12 11
Lahore	1 0 1	0 13 2
Multan City	0 12 3	0 10 10
Multan Cantonment	0 12 3	0 10 0
Subzi Mundi	1 3 2	0 15 9
Sukkur	0 9 6	0 7 10

These reduced rates are quoted on wagon loads¹ to help the export of hides and skins. Here, obviously, there is no inter-railway competition and therefore there can be no other reason for quoting these lower freights except to help the export trade.

Rates on the E. I. R. :

The East Indian Railway is most important as a carrier of hides and skins and therefore we shall now review its freight policy. Here, fortunately, we have the pre-war rates, given by Mr. Ghose in his Monograph, which will make an interesting comparative study. The special station-to-station rates quoted to Howrah are² :—

From.	Rate on wet and dry hides & skins.	From.	Rate on wet and dry hides & skins
	Rs. a. p.		Rs. a. p.
Agra & Via	0 12 8	Lucknow & Via... ..	0 10 7
Allahabad & Via	0 9 10	Meerut City	0 14 5
Bareilly	0 13 6	Moradabad	0 14 5
Chandausi	0 13 6	Shahajehanpur	0 13 6
Etawah... ..	0 12 7	Cawnpore & Via	0 10 7
Farukhabad & Via	0 13 5	Delhi & Via	0 14 5
Harduaganj	0 13 6	Shaharanpore & Via	0 14 10
Hathras	0 13 0	Via Ghaziabad	0 14 5
Kuberpore	0 12 8		

1. For dry hides W/300 and for wet W/400.
2. Rates are at owner's risk.

These rates, as can be seen from the names of the despatching stations, seem to have been quoted partly to divert the traffic passing to Karachi or Bombay port. While discussing the rates of the North Western Railway it was noted that lower rates were quoted from the stations located within the competitive zone. These rates work out at about .19 or .20 pie per maund per mile. But when we compare these rates with the class rates the nature of concession becomes more striking. The class rate charged by the E. I. Railway on the mixed consignments of hides and skins, both wet and dry, is second class at owner's risk. Therefore the class rates from some of the aforesaid stations would work out as follows :—

Class Rates to Howrah.

Mile- age.	Station from	Rate per maund.	Mile- age.	Station from	Rate per maund.
		Rs. a. p.			Rs. a. p.
891	Meerut	1 13 2	818	Farukhabad	1 13 4
718	Shahajahanpur	1 9 10	512	Allahabad	1 2 7
805	Chandausi	1 12 10	631	Cawnpore	1 7 2
616	Lucknow	1 6 3	902	Delhi	1 12 9
718	Etawah	1 9 10			

The above class rates work out at about .50 pie per maund per mile. Thus, the concession offered in form of special station-to-station rates to the port is appreciable; the actual freight charged is less than half. This advantage is undoubtedly availed of by the tanneries located in Calcutta, but the assertion that the rates are so quoted on the Indian railways as to foster the growth of exports of raw materials is well-founded. The lower rates are not quoted to supply the tanneries at the port with hides and skins at lower transport costs, but the principle underlying seems to be to foster export trade, and the tanneries are forced to shift their location and adjust themselves so as to best avail of the cheaper railway facilities. This is clear from the fact that similar station-to-station rates are not quoted in the tariffs for local tanneries, situated in the internal centres like Cawnpore and Agra, from the more important collecting centres. Internal tanneries have to pay class rates.

*The Case of primary producer :—*It may be urged in favour of the lower rates quoted to the ports that the prices of hides and skins being determined by the world competition the lower rates, by giving better facilities for export, enable the producers to

realise better price for their produce. This is a plausible argument often advanced by the railway authorities to mask their mischievous moves, but its authenticity is more apparent than real. It was adverted to in the preceding pages that *the raw stock trade is known for its lack of organisation and hence a slight reduction in form of lower freight would not benefit the primary producer. Therefore, the plea of profiting the primary producer is far-fetched.*

Effects on Fiscal Policy :—The well-organised exporters do profit from the lower freights, as also by exploiting the unorganised producers, but these exporting interests are mainly foreign, either the Germans or the British, and therefore the profits they derive are lost to the country. Secondly, even if the exporting interests are Indian this form of invidious distinction in the rate structure would not be permissible. Unregulated export of raw materials is against the interests of the country which is trying to foster its national industries, and in this task the railroads have to play a very important part together with the fiscal policy. It is not advocated that the railway rates policy should become protectionist so as to aid the fiscal policy of the country, but what is emphasised here is that *the railway policy should not be such as to neutralise the protectionist policy, which the Indian legislature has accepted to apply with discrimination.* The preferential export rates on articles like hides and skins are calculated to defeat the avowed object of the fiscal policy, as can be gathered from the rates referred to above ; the actual export rates are less than half of the class rates, that is, the class rates which the Indian tanneries have to pay are more than double of those paid by the exporters. It cannot be gainsaid that the rates policy thus pursued seriously handicaps the Indian tanning interests. To this the railways can readily retort that the railway policy being based on commercial principles lower rates on export traffic are justified on the ground that the traffic is offered in large quantities, say wagon loads, and over longer distances. This argument seeks its justification in the policy of undiluted commercialism, but that in no country have the railroads been permitted to pursue this policy unrestrained ;¹ it has been subjected to elaborate state regulation. Inter-States Commerce Commission of the United States and the Rates Tribunal in England, having wide statutory powers, are the most important instances which demonstrate the attempts made by the State to regulate the rates policy. Therefore, the commercial principle cannot be carried too far ; neither can it be brushed aside, or neglected in toto. Railways should be worked as re-

1. S. C. Ghose, "A Monograph on Railway Rates," pp. 454-55.

munerative concerns. *Under these limitations the justification of the export rates is seriously impaired. If lower rates are offered, to the ports, similar facilities should be given to the Indian tanneries situated at different centres. Wagon load conditions should be made more favourable to the tanneries. This measure will mean raising of the export rates.*

Ghose's Criticism of Pre-War Policy :

In this connection it is interesting to note the opinion of Mr. Ghose, who possessed very wide knowledge of railway working. He states : "The most important point is that the low rates for export hide traffic were brought about purely owing to competition between railways. By an arrangement between themselves they could have levelled up the rates, as they did in the case of all other traffic, unless it was their intention to let the export hides have the advantage of the lowest rates. It is well-known that during the period that the rates came down in 1909-10 (principally to encourage export of hides to America), there was considerable demand, for hides and skins from India, in Germany, England, and in a few other European countries, and it was also shown at the time that the exports from India were handicapping the local leather industry of the country. If, therefore, the foreign countries wanted hides and skins from India they should have paid higher rates."¹ Thus, according to this eminent authority, whose opinions deserve respect, the railways, instead of competing *inter se* and consequently lowering the rates on the competitive traffic, should have by agreement raised the rates on the export trade, because thereby they would have averted the financial loss and at the same time helped the Indian tanning industry. Further, the traffic of the railroads would not have been affected because as the foreign countries wanted our hides they would have paid a slightly higher price. "The enhancements in rates," added Mr. Ghose, "unless they were perhaps to the maximum, probably would not have improved matters very much so far as the Indian industries were concerned, because the foreign manufacturers could have afforded to pay a higher price, but the higher freight per mile on Indian railways would have saved unnecessary loss of revenue to them, which would have been at least some compensation to India for the loss of its hides and skins to the detriment of the interests of its industries. The railways cannot say that it was ever proved to them that foreign manufacturers could not buy at a higher rate. In their desire to divert traffic from one port to an-

1. S. C. Ghose, "A Monograph on Railway Rates," pp. 454-55.

other the railways could not come to an arrangement under which the mileage rate could be made higher than the minimum, as was done for many other commodities."¹ Emphasis is laid upon the unhealthy competition between the railways which has already been sufficiently adverted to in the preceding pages.

From the foregoing expert opinion it is clear that the policy of charging lower rates on export traffic was injurious and that the basic principle of rate-making—charging what the traffic can bear—was ignored. *The situation which prevailed then is being continued unaltered to this day. There have been some slight changes, but the cardinal principle is maintained.*² The internal traffic is charged at the maximum rate permissible and the export traffic continues to enjoy similar privileges. The general level of freights has been raised during the post-war period, but the relation of internal and export traffic in respect of the freight charged is almost the same, as it was in 1917. The export as well as the internal rates have been nearly doubled. To repeat, therefore, it is necessary that the internal tanneries should be placed on the same basis in respect of freight charge as the exporters, i.e., the freights to tanneries from the important collecting centres should be quoted on the same level, differing with the mileage, as the export traffic. Furthermore, preferential or lower rates for the local tanneries have been advocated.³ It is not proposed to discuss this suggestion here because it involves the most important principle as to whether the railway policy should be protectionist or otherwise. This is doubtless a very interesting proposal and closely knit with the study like the present in which the attempt is made to trace the effect of rates on the trade and industries but we propose to defer the discussion of this principle to the later stage of our enquiry. Suffice it to note that the local tanneries should be meted out equal treatment with exporting interests.

Rates on the G. I. P. Rly :

Enough has been said about the general characteristics of the rates as applicable to hides and skins in general and therefore we shall now review the rates on the other important railways. The G. I. P. Railway quotes a number of special station-to-station rates, but it has to be noted in this case that similar station-to-station rates are also

1. S. C. Ghose, "A Monograph on Railway Rates," pp. 455-56.

2. The maximum charge for the second class is 42 pie per maund per mile.

3. Mr. Ghose advocated preferential rates to local tanneries. *Vide*, "Monograph on Railway Rates," P. 454.

offered to tanning centres as to the port. This may be partly due to the fact that the traffic in hides and skins to the port of Bombay, on the G. I. P. Railway, is not so important as the internal traffic to other tanning centres, e.g., to tanning centres in Southern India. But even if the export traffic in hides and skins was important to the same extent as it is to the E. I. and the N. W. Railways, it is clear that the rates policy pursued would have been in no way different; the railway authorities would not have attempted to divert the traffic to the port, either by quoting lower rates to the port or by withdrawing the station-to-station rates to internal tanneries. But this contingency is remote and should not detain us longer. One thing, however, is clear that the policy pursued by the railways, in general, in respect of the indigenous trade and tanneries is very conservative and short-sighted. Special station-to-station rates quoted from some important collecting centres to Bombay port are as follows :—

RAILWAY RATES PER MAUND.

Mile- age.	From.	Dry Hides & Skins			Wet Hides & Skins				
		W/300; L; S/4; O.R.			W/400; L; S/4; O.R.				
			Rs.	a.	p.		Rs.	a.	p.
616	Via Jubbulpore		0	14	2		0	11	10
673	Katni		0	15	9				
782	Manikpur		0	15	3		0	13	4
675	Via Katni Murwara		0	15	9		0	13	4
839	Cawnpore and Via		0	15	11		0	12	4
835	Agra Cantonment		1	0	10		0	12	8
957	Via New Delhi		1	4	2		0	15	5

These rates are interesting and need some explanation. At the first glance the rates appear to be discriminatory, because whereas the freight for a distance of 673 miles from Katni is Re. 0-15-9, from Manikpur for 782 miles it is Re. 0-15-3, and from Cawnpore for 839 miles Re. 0-15-11. The rate charge from Cawnpore does not come under the discriminatory category because although the rate per mile is lower the total rate is higher than that *Via* Jubbulpore. But the freight from Manikpur needs to be reconsidered. The rates per maund per mile from the respective stations work out as 0-27, 0-27, 0-23, 0-28, 0-23, 0-24 and 0-25 respectively. The rates on wet hides are still lower, as can be seen from the foregoing statement.

The rates from Cawnpore may now be taken up. The following table shows the station-to-station rates quoted by the G. I. P. Railway from Cawnpore to some tanning centres in South India :—

RATES ON HIDES AND SKINS FROM CAWNPORE.

Station to.	Dry.	Wet.
	O.R.; W/300; L; S/4;	O.R. W/400; L; S/4.
	Rs. a. p.	Rs. a. p.
Bombay	0 15 11	0 12 4
Via Wadi	1 1 0	0 12 9
Vilad... ..	1 9 10	0 12 9
Via Raichur to:—		
Bangalore City & Via ...	1 2 0	0 13 9
Vaniyambadi	1 3 4	0 14 5
Mailapatti	1 3 9	0 14 11
Walajah Road	1 4 6	0 15 9
Tiruvalam	1 4 0	0 15 3
Panipet... ..	1 4 6	0 15 9
Gudiyattam	1 3 9	0 14 11
Valathoor	1 3 10	0 15 2
Ambur	1 3 9	0 14 11
Madras... ..	1 6 4	1 1 7
Katpadi... ..	1 3 9	0 14 11
Via Yelahauka	1 2 2	0 13 11

Traffic is also routed *via* Balharshah to the aforesaid stations, but the freight charged in that case is higher.¹ The most common route is *via* Raichur, which has been referred to above. These rates are appreciably lower than the second class rates otherwise quoted on the traffic in hides and skins in general. It is needless to say that these rates help the internal movement of traffic and the indigenous tanning industry.

Similarly, station-to-station rates are also quoted from Agra which are submitted below :—

1. *Vide*, the Tariff Part I-B, Pp. 364-72.

RATES PER MAUND ON HIDES & SKINS.

Station to	Dry.	Wet.
	Rs. a. p.	Rs. a. p.
Bombay	1 0 10	0 12 8
Banglore and Via	1 2 1	0 13 9
Gudiyattam	1 3 8	0 14 11
Madras	1 15 10	1 11 7

Rates on the B. B. & C. I. Rly. :

This brings us to the review of rates on the B. B. & C. I. Railway. It was noted while discussing the relative position of different railways as carriers of hides and skins that the B. B. & C. I. Railway plays only a secondary part, because the traffic of the areas it serves is mainly directed to the Karachi port. Therefore, although individually it is less important, but, as a feeder to the North-Western Railway it holds a distinct place which needs be noted. Good amount of traffic originates on this line. The special rates to Karachi we have already noted while discussing the freights on the N. W. Railway, but it is interesting to note the respective share of each railway in the total freight charged from the different stations. The rates are as follows :—

RATES PER MAUND TO KARACHI.

Station from.	Rate.	Share of each railway.		
		B. B. & C. I. R.	Jodhpur R.	N. W. R.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Agra Fort	1 0 10	0 4 6	0 9 9	0 2 7
Hathras City	1 1 3	0 5 1	0 9 7	0 2 7
Farukshabad	1 2 8	0 7 0	0 9 3	0 2 5
Via Delhi Sarai Rohilla	1 3 2	0 4 6	0 10 6	0 4 2
Cawnpore	0 13 7	0 5 10	0 6 1	0 1 8

This traffic is routed *via* Kuchaman Road on the B. B. & C. I. Railway, and therefore it is taken up by the Jodhpur Railway which carries it up to Hyderabad (Sind) and is handed over to the North-Western Railway for Karachi. It is necessary in this connection to

note the distance traversed over each line as the rates vary, *inter alia* with the distance traversed. The distance works out as under :—

From.	B. B. & C. I. Rly. (Miles)	Jodhpur Rly. (Miles)	N. W. Rly. (Miles)
Agra Fort	203	466	111
Hathras City	217	"	"
Farukhabad	324	"	"
Via Delhi Sarai Rohilla ...	202	"	"
Cawnpore	410	"	"

Concession in favour of Exporters :—The traffic from Agra Fort, Hathras City, Farukhabad and Cawnpore is carried *via* Bharatpur and Achnera, while the traffic from *via* Delhi Sarai Rohilla is carried *via* Rewri Phulera Chord. From a comparison of the proportion of each railway in the total freight and the distance over which the traffic is carried it will be seen how substantial a concession has been given to the through traffic. To take up the share of the B. B. & C. I. Railway, because it is on this line that the traffic in question originates. From Farukhabad to Kuchaman Road, over 324 miles, the freight charged is Re. 0-7-0 which works out at about 26 pie per maund per mile ; but from Cawnpore to Kuchaman Road, over 410 miles, the rate is Re. 0-5-10 only, or about 0-20 pie per maund per mile. Here, therefore, we have an instance of lower charge for a longer distance. This concession has been granted by the B. B. & C. I. Railway for diverting the traffic from either going to Howrah on the E. I. Railway or to Bombay on the G. I. P. Railway, both these ports being nearer to Cawnpore as compared with Karachi ; Calcutta, Bombay and Karachi are about 630, 840, and 945 miles from Cawnpore respectively. But the routing of the traffic increases the distance to Karachi, still more to 987 miles. The rate in force on the E. I. Railway is Re. 0-10-7 per maund from Cawnpore to Howrah, but on the G. I. P. Railway the freight comes to Re. 0-15-11 on dry hides. Thus, there is a clear advantage of Re. 0-2-4 per maund in favour of Karachi and against Bombay, even though the traffic to Karachi has to pass over three different lines—the B. B. & C. I., the J. R., and the N. W. Railways. This handicap affects the tannery (Western India Tannery) at Sion. It is necessary, therefore, that the G. I. P. Railway authorities should also reduce the rates from Cawnpore so as to give to the tannery at Sion the same advantage in respect of freight as that enjoyed by the exporters. Further, the total distance to be traversed in the case

of traffic from Cawnpore to Sion is about 830 miles, on the same railway system, as compared with the distance of about 987 miles on three different lines from Cawnpore to Karachi. The G. I. P. Railway seems to be indifferent about this discrimination because the export traffic from Cawnpore to Bombay port is not so important. Besides, if the rate from Cawnpore to Bombay or Sion is reduced to Re. 0-13-7 other station-to-station rates may also have to be revised. Be that as it may, this question merits serious and prompt consideration at the hands of the G. I. P. Railway authorities.¹

A further analysis of the Cawnpore-Karachi rate brings out interesting facts. The proportion of the Jodhpur Railway is Re. 0-6-1 for the distance of 466 miles in this case, whereas over a similar distance in the case of Agra the freight is Re. 0-9-9, and from Delhi Sarai Rohilla Re. 0-10-6 per maund. It may be contended by the Jodhpur Railway that they charge lower rates per maund per mile so as to help the long distance traffic. Further, that the lower rate is offered to attract the traffic which would otherwise go to competitive lines and be lost to them. But in the interests of the country as a whole it is desirable that this sort of competition should be reduced. The proportion of the N. W. Railway of the Cawnpore-Karachi rate is still more interesting because it helps this diversion of traffic even though the G. I. P. and the N. W. Railways are both worked by the State. The share of the N. W. Railway in the total freight charged in almost all cases referred to above varies, although the distance over which the traffic is carried over its lines, namely from Hyderabad (Sind) to Karachi, is the same in all cases ; the proportion varies from Re. 0-1-8 for Cawnpore traffic to Re. 0-4-2 in the case of traffic from Delhi.

The proportion of the North-Western Railway in the total freight charged on traffic passing *via* Delhi Sarai Rohilla deserves special reference. In the case under reference, the North-Western Railway carries traffic from Hyderabad (Sind) to Karachi, a distance of 111 miles. The distance is the same in all the five cases under reference, but whereas it charges Re. 0-1-8 for Cawnpore traffic, for traffic *via* Delhi Sarai Rohilla the charge is Re. 0-4-2. The maximum charge permissible for the traffic is 0-42 pie per maund per mile. *Therefore, the traffic via Delhi Sarai Rohilla is charged the maximum rate permissible plus 6 pies per maund as the terminal charge. This is a clear*

1. In trade relative transport charges are more important than the absolute ones and as such the lower rates to Karachi under the conditions adverted to indicate the preference given to the export traffic, because on a total distance of 987 miles the class rate would be Rs. 2-2-7 per maund on the basis of the class rate.

instance of block rate, an attempt to block the traffic from passing via Kuchaman Road and Hyderabad, in favour of total journey on the North-Western Railway via K. R. R. Rohri and Samastata.

Thus, the policy pursued by the railways is one of free and unrestricted competition, calculated primarily to foster the export trade. The foreign interests exploit the weaknesses of the railway policy. Internal trade, therefore, suffers. For instance, if the Cawnpore tanneries want to get the hides and skins from centres like Amritsar, Lahore, Delhi, etc., they have to pay railway freight at the class rates. We shall study the rates paid by the tanneries in India at a later stage, suffice it to note for the present that if the Indian railways pay equal consideration, not preferential, to the internal trade as they do for the export and import traffic, Indian industries would receive considerable stimulus. Thus, for instance, if similar rates were quoted from collecting centres like Lahore, Amritsar, Delhi, Meerut, Cawnpore, Agra, Patna, etc., as those quoted from the stations adverted to above via Kuchaman Road and Hyderabad (Sind) to Karachi, or as quoted by the E. I. Railway to Howrah, to the tanneries situated at centres like Cawnpore, Agra, Mysore, and those in the Madras Presidency, the community and the carriers would both share the gain resulting therefrom. The Indian railways seem not to have realised as yet that in the long run their interests are closely knit with the interests of the community as a whole; their future rests with the community of which they form an integral part. Community, Commerce and Carriers form a trinity; they stand or stumble together. The defects of our railway policy are due not so much to the ignorance of the true national interests on the part of the railway authorities, but they are the results of neglect and indifference characteristic of the officials, impervious to public opinion. The peculiar development of railroads in India, the aims of their sponsors, and the politico-economic conditions of the country have all conspired to create these conditions. The situation will, therefore, admit of only slow and gradual improvement. What is needed is that those responsible for rate-making, or rate regulation, should shake off their lethargy and the policy of drift which has been fostered so long, and with better foresight take up the task of readjusting railway tariffs, difficult enough for the most laborious, deep enough for the most subtle, and delicate enough for the most refined. The office of a conscientious traffic manager imbued with public spirit, and operating the most important public utility concern, is, I repeat, a task and not a toy, as the Indian railway authorities believe it to be.

Modern tanning Industry :

Enough has been said about the raw stock trade in hides and skins in the preceding review, and therefore in what follows we shall

attempt to approach and state the case of Indian tanneries and the effects of railway rates thereon. The study of tanning industry in India falls into three sub-divisions, namely, the pre-war position, the effects of the Great War, and the post-war conditions. This review is an essential pre-requisite of the detailed study of railway rates.

The importance of Chemical Tanning in India :

The credit of the introduction of Western methods of tanning in India rests with the British Government, pressed by the necessity of military accoutrements,¹ in the second half of the nineteenth century. The industrial Commission remark² : "The development of leather manufacture in contradistinction to the light tannages of Madras and Bombay are almost entirely the outcome of military efforts to obtain suitable supplies for boots and accoutrements. Where arsenals were established, tanneries usually followed."

Its pre-war position :

With the establishment of Government factories at Cawnpore, Madras, etc., and the help given to private manufacturers for supplying military requirements came what we know as modern leather and tanning industry in India. Chrome tanning was also introduced in the beginning of the present century.³ But its success has been "much slower than it is reasonable to anticipate would have been the case had the Government assistance in pioneering the industry been given for a longer period."⁴

*Insufficient Supply of hides and skins to local tanneries : Its Causes :—*One most formidable handicap which retarded the development of Indian tanneries in the pre-war period was the shortage of the supply of raw materials. This deficiency was due not to the decrease in production of raw hides and skins in the country, but the keen foreign demand and the organised collection for export left little for utilisation within the country. This brings us to a new phase of Indian leather industry to which we must make a passing reference at this stage. Before the war the export trade was in the hands of German firms or the firms the controlling interests of which were

1. Refer the Report of the Industrial Commission, P. 356.

2. *Ibid.*,

3. Sir A. Chatterton enthusiastically sponsored the cause of developing chrome tanning in India.

Refer to A. Chatterton's "Monograph on Tanning & Working in Leather in the Madras Presidency."

4. *Vide*, "Indian Industrial Commission," P. 357.

largely German. These firms formed a strong combine of buyers and controlled the entire market, and the two most important ports of destination were Hamburg and Bremen. These Hamburg and Bremen merchants particularly held the monopoly.¹ It is said that this combine was so formidable that attempts to break it failed several times.² The result was the indigenous tanneries found it difficult to get the right sort of raw materials at the right moment. They had to pay, in addition, higher prices for the same material which these big exporting interests could procure at a cheaper rate.

Besides, the indigenous tanneries suffered from the lack of adequate transport facilities for their raw materials. Railways had granted specially low rates on hides and skins for export and these could be availed of only by the port traffic, whereas the internal tanneries had to suffer. To facilitate the export traffic the E. I. Railway granted following rates to the port of Calcutta³ :—

1 to 300 miles	...	...	Rs. 0 2 6	per wagon per mile.
301 miles and over	...	...	„ 0 2 0	„ „ „

Special rates on wagon-loads were quoted on traffic from the more important collecting centres like Agra, Cawnpore, Delhi, Ghaziabad, Ambala,, etc., to Howrah. The rates as applicable in 1917 were⁴ :—

			Rs. a. p.
From Cawnpore to Howrah	...	...	176 4 0
„ Agra to Howrah	...	...	217 0 0

But we go a step still further and take up the rates as applicable in 1909 the contrast becomes still more clear. We submit below the comparative rates of 1909 and of 1917 :—

			1909	1917
			(Per wagon per mile)	
			Rs. a. p.	Rs. a. p.
From Cawnpore to Howrah	...	...	0 3 0	0 4 5
„ Agra to Howrah	...	...	0 3 0	0 4 5
„ Delhi to Howrah	...	...	0 3 0	0 4 5

1. Refer "Indian Industrial Commission," Evidence Vol. II, P. 163.
2. *Supra*, P. 736 ; Vol. II.
3. *Supra*, Evidence Vol. V, p. 738.
4. *Vide*, Ghose's "Monograph on Railway Rates," P. 454. Wagon loads of 436 maunds.

The freights, therefore, as applicable before 1917, or in the pre-war era, was decidedly more favourable, for export. Similar rates were quoted by the other railways to the respective ports served by them. Following were the rates quoted on the B. B. & C. I. Railway to Bombay¹ :—

Station from	1914	1919
	Rs. a. p.	Rs. a. p.
Delhi Sadr.	208 0 0	229 0 0
Ghaziabad... ..	208 15 0	229 15 0
Ambala	236 0 0	260 0 0
Meerut	229 6 0	250 6 0
Agra Fort	207 0 0	217 0 0
Cawnpore... ..	220 0 0	"
Hathras City	204 0 0	"

The foregoing rates were quoted on wagon loads, but on the actual weight the station-to-station rates were as follows :—

RATES TO BOMBAY.

Station from.	1914.	Station from	1914.
	Rs. a. p.		Rs. a. p.
Agra Fort	1 10 2	Aligarh	1 10 5
Muttra Cantt.	1 9 5	Delhi Sadr.	1 9 5
Hathras City	1 9 5	Ambala	1 12 10
Cawnpore	1 7 0	Gaziabad	1 9 5

These rates when compared with those quoted on wagon loads give us interesting conclusions. We submit below the rates of both classes :—

1. Prepared from the Tariffs of the B. B. & C. I. Rly., for the respective years. Per wagon load of 436 maunds, at Q. R.

*These special rates were discontinued.

RATES TO BOMBAY IN 1914
PER MAUND.

Stations from	Rates on Wagon Load.	Rates on Actual Weight.
	Rs. a. p.	Rs. a. p.
Delhi Sadr.	0 7 7	1 9 5
Ghaziabad	0 7 8	1 9 5
Ambala	0 8 11	1 12 10
Meerut	0 8 4	—
Agra Fort	0 7 7	1 10 2
Cawnpore	0 8 1	1 7 0
Hathras City	0 7 3	1 9 5

It goes without saying that the export trade availed itself of the substantially lower rates quoted on wagon loads. It should be noted, however, that the Indian tanneries even if situated near or at the port could not avail themselves of these lower rates if they did not consign for wagon loads. The other tanneries situated in the internal centres had undoubtedly to suffer. We quote below the station-to-station rates quoted by the B. B. & C. I. Rly. from Cawnpore to some markets on its lines which will further clear our statement.

Mile- age.	Station to	Rate.	Mile- age.	Station to	Rate.
		Rs. a. p.			Rs. a. p.
193	Hathras City	0 3 10	527	Marwar	1 1 1
188	Hathras Rd. & Via ...	0 3 8	410	Kuchaman Road ...	0 12 3
258	Agra Fort	0 4 8	556	Chitorgarh	1 2 4

A Suggestion for the better regulation of rates :

These are special station-to-station rates quoted on actual weight. Thus, it is clear that internal centres had to pay higher freight. Even in the case of station-to-station rates, as aforesaid, the rates are higher because they are quoted on actual weight. On purely commercial principle it is justified to charge higher freight on actual weight than on wagon load consignments. But this is not a sacrosanct principle which should be followed invariably irrespective of other economic considerations. It is a broad principle which admits of modifications when other more important interests conflict. Traffic in

hides and skins from Cawnpore to Agra, for instance, though it is not offered in consignment similar in weight as those for export to Bombay or Calcutta, may be given facilities similar to those of export traffic, if necessary, because the carrier has better interest in the development of indigenous industry, as they confer benefits *inter se*, than in the case of an export traffic like the present where the interest of the railway ceases at the close of the journey in question. The indigenous industry offers additional traffic in form of several other raw materials and the finished products to be marketed. Needless to say, therefore, that the indigenous industry may be a better shipper than the exporter or importer. The necessity of such consideration becomes still more pressing when the exporter or the importer happens to be a competitor. As has been adverted to, the demand of internal tanneries for hides and skins was not adequately met because of the competition of exports. *The claim of the Indian tanners was for an equal treatment with the exporter in respect of transport facilities.*¹ This could be done without causing undue embarrassment to the railway authorities by raising the rates on the export traffic, as adverted to above, because the export rates were very low.

The situation was in fact more difficult than it apparently appears to be. The exporters, primarily Germans, as we have seen, being well-organised and forming an impregnable combine, were in far better position to meet the railways and demand of them concessions, than the scattered and unorganised Indian tanners. Besides, the railway companies were themselves competing *inter se* for the export traffic and the exporters fully exploited this opportunity.

The Effects of the Great War :

When the Germans were thus practically the masters of the situation the World War began, with the result that the German and Austrian markets were practically cut off. Thus the Great War heralded a new era for the Indian tanning industry. In the beginning the elimination of the German exporters affected adversely the trade in hides and skins and the stocks began to accumulate in increasing quantity. The native tanners could of course now get their supplies more regularly but their demand was not enough so as to absorb the total supply available in the market. However, it should not be forgotten that the internal demand played an important part during this short interval of depression in relieving the intensity which would otherwise have assumed deplorable form. But this period of depression was short, because in view of the pressing military requirements the

1. See the Indian Industrial Commission Evidence, Vol. V, p. 738.

importance of Indian hides and skins was realised by Great Britain and the Allies, and from August 1916, the Government of India at the request of the War Office, assumed complete control of the trade and the supplies and took over from the tanners their total output. A notification was issued on the 12th August 1916, according to which the only countries to which shipments were permitted were the U. K., the U. S. A., France and Italy. Another measure was initiated on the 15th May 1917, by an embargo upon the export of tanned hides and skins to all destinations, so that when the Indian Munition Board took over the control of the exports in June 1917, the tanneries in England, United States and Italy had fully extended their capacity. With the elimination of the foreign competition, and under the sympathetic policy pursued by the Munition Board, the Indian tanning industry recorded marked progress. This growth becomes still more significant when it is recalled that during this time there was a marked shortage of transport facilities. Railway rates were raised and surcharge was imposed.

Post-War Conditions :

This prosperous condition of the tanning industry was, however, only a passing phase. After the close of the war and return to normal conditions the former difficulties once again confronted the tanners and this time perhaps with greater complications. The abnormal demand, which characterised the war period, received a serious setback after the peace. On the contrary, the surcharge on railway rates, which was imposed during the war, was made a permanent feature of the rates policy. In 1922, the railway classification was revised and the rates were further raised. But this was not all. The post-war industrial developments introduced greater complications and created more formidable barriers, which need be briefly reviewed.

The British tanners began to agitate for the Imperial Preference lest the Germans should recapture Indian market. At this time the Imperial Institute conducted an enquiry into the Indian trade in hides and skins. The value of the 'East Indian kips' was brought to the fore during the war and therefore the British tanners did not like to leave this most valuable article out of their hands. Expatiating the importance of Indian kips the Committee¹ says : " These Indian kips represent an Imperial asset of very considerable value, and that arrangement should be made which will ensure that the kips are converted into leather within the Empire, thereby mak-

1. Report on Indian Hides and Skins, Indian Trade Enquiry, Imperial Institute.

ing an important contribution to Imperial industry and trade, instead of being exported through German firms in India in a raw state of manufacture in foreign countries. It is submitted, that the Imperial interests demand that the trade in Imperial kips and their conversion into leather should be in future securely placed in the hands of British firms. There is no doubt that in the past these Indian kips have been of the utmost military value to Germany and Austria, when they were largely utilised for making the uppers of army boots."¹

Imperial Preference advocated:

Thus, just after the close of the war the plea of Imperial Preference was broached by the imperialists to keep the trade in the hands of Great Britain. British tanners pleaded for the restriction of the exports of Indian kips outside the Empire and suggested, *inter alia*, the imposition of an export duty on raw Indian kips, duty to be remitted on the kips tanned within the Empire.² This plea of the British tanners was warmly espoused and advocated by the Imperial Institute Enquiry in their Report and they claimed that the adoption of policy advocated by them would enable British tanners to secure supplies of raw materials from within the Empire on more favourable terms than their competitors in foreign countries, and, in addition to fostering the tanning industry, would be of great assistance to them in disposing of the surplus of their finished products in foreign markets. Further, it was contended that unless some permanent preference of this kind can be given to British tanners, which will prevent Germany and Austria from again monopolising the supply of raw Indian kips, it is certain that English will not be disposed to incur heavy liabilities in order to further develop the industry in this country.

As to the possible objection that the preferential duty would restrict the market of Indian kips and thereby lower the prices the Committee opined that in view of the world conditions of trade raw Indian kips will always be in good demand, and will realise their value in relation to world prices. The actual change of position for Indian producers will be that instead of their produce being purchased from them exclusively by German and Austrian firms, the raw kips would be brought almost exclusively by British firms, competition among them would be at least as keen and as likely to secure a fair

1. Report on Indian Hides & Skins, Trade Enquiry, Imperial Institute, P. 5.

2. *Supra*, Report. Pp. 9-10.

price to the Indian producer as it did formerly in the case of a strong combination of enemy firms.¹

Preferential Duty on the export of Indian Hides and Skins imposed :

The result of this strong agitation of the British tanners, supported by the authoritative enquiry adverted to, was that in 1919 a duty of 15% was imposed on all hides and skins exported from India, but those which were to be tanned within the British Empire got a rebate of 10%. It is superfluous to point out that the avowed object of this preferential tariff was primarily to help the British tanners, because the development of the British tanning industry was at stake, as the Imperial Institute's Enquiry found that "English will not be disposed to incur heavy liabilities to develop the industry in this country." The interests of the Indian tanners were only secondary, as has been pointed out in the preceding paragraph, and therefore it is needless to point out that the protective measure did not prove so fruitful to the indigenous industry as it would otherwise have been.

Failure of the Duty :

The measure was essentially a compromise in the interests of the Empire in general and the British tanners in particular. It should not, however, be overlooked that Indian tanners did profit from the duty because they could get better supplies of raw materials. But, the imposition of the preferential duty, especially on the hides, was not in the interests of the country. It may be suggested that the duty ought to have been imposed on the skins alone and without any preference. The preferential duty therefore could not remain on the statute book for long and was removed in 1923. But the results of this during this short period were obvious. The exports of tanned hides and skins declined considerably during this period. The exports of cow hides declined from 25 thousand tons valued at 703 lakhs of rupees in 1918-19 to 5.5 thousand tons valued at 130 lakhs of rupees in 1922-23 and it was in 1922-23 that the exports improved slightly, the figure being 8.5 thousand tons valued at Rs. 199 lakhs.

Thus, the foregoing figures show that the exports of tanned hides and skins continued to decline until the year 1922-23, when signs of revival could be discerned a little. It has been contended by the tanning interests in India that "in fact the tanning industry

1. *Vide* Report, P. 11.

Therefore, in the following section we shall study the rates on hides and skins to some more important tanning centres with a view to illustrate the striking features of the rates policy adverted to in the preceding section of the chapter.

Rates to Agra :

To start with let us take up the freights paid by the tanneries in Agra from a few more important markets.

RATES PER MAUND TO AGRA (BELANGANJ)

Station from.	Actual Weight.	Wagon Load.	Wagon Load. (O. R.)
	Rs. a. p.	Rs. a. p.	Rs. a. p.
New Delhi	0 7 4	0 6 11	0 5 3
Bhopal	1 1 5	1 0 4	0 12 2
Jhansi	0 8 1	0 7 7	0 5 10
Lahore	1 6 7	1 5 2	0 15 7
Amritsar	1 5 7	1 4 3	0 14 11
Meerut City	0 9 8	0 9 1	0 6 11

In the preceding section of our study it was pointed out that the rates per maund per mile charged on hides and skins consumed by the local tanneries are higher than those charged on the export traffic. Secondly, it was found that the higher rates to the local tanneries are due to the individualistic policy pursued by the railway administrations, with the result that when a consignment travels over more than one line, it does not get the advantage of telescopic schedule rates on the total distance travelled, when such schedule rates are quoted. Even where schedule rates are not quoted, if a consignment travels over a longer distance some reduction in rates is given by the railway concerned which the internal tanneries fail to get for no fault of theirs, except that the consignment instead of travelling over one line has to cover its total journey over more than one system. These two conclusions need be further examined and illustrated. The traffic despatched from Bhopal, Jhansi, and New Delhi to Belanganj travels on the G. I. P. Railway alone, and yet the freight charged by the railway on this internal traffic when compared with the charge to Bombay are clearly higher. For instance, the rate from Cawnpore to Bombay for 838 miles, at owner's risk in wagon loads, is Re. 0-15-11 on dry hides and skins, and Re. 0-12-4 on wet material, but for traffic from Bhopal to Agra (Belanganj) for 317 miles the rate charged is Re. 0-12-2, the distinction between dry and

wet hides and skins being eliminated in this case. Similarly, the rates from other stations are higher than the port rates. The railway authorities on their part can argue that they quote reduced rates from Cawnpore to Bombay because Howrah port is nearer to Cawnpore and Bombay rate is adjusted to the Howrah rate. This plea of the railway gives clear indications of some of the most interesting features of the present day rates policy. In the first place it is an unequivocal confession of the port competition, adverted to above, which favours the port traffic at the cost of internal traffic. Secondly, even if we make allowance for the difference in mileage between Cawnpore-Bombay and Cawnpore-Howrah distance, the port rate is still considerably lower than the internal rate and the adjusted distance does not offer an adequate explanation of the concession permitted. They are undoubtedly meant to foster the export of hides and skins and there can be no other explanation, albeit the ingenious traffic managers readily broach the same in support of their policy and the maintenance of the *status quo*. An eminent railway officer's admission before the Tariff Board may be noted with interest. He said, "we have built up the rating structure on a policy of separate organisation and you cannot very well depart from that unless you are prepared to revise the whole structure."¹

Rates to Bombay :

In order to explain and substantiate the statements made in the preceding paragraph we submit below the rates paid from some more important dispatching stations to Bombay.

Rates per maund to Bombay.

Station from.	Actual weight.	Wagon Load.	Wagon Load (O. R.)
	Rs. a. p.	Rs. a. p.	Rs. a. p.
New Delhi	—	2 7 7	0 15 5
Cawnpore	2 4 2	2 2 1	0 15 11; 0 12 4
Agra	2 8 9	2 6 2	1 0 10; 0 12 8
Bhopal	1 11 11	1 10 2	1 3 3
Jhansi	2 5 3	2 2 11	1 9 7
Aligarh	2 10 9	2 7 11	1 3 9; 0 15 7
Lucknow	2 6 4	2 4 7	1 2 0; 0 14 5

1. *Vide* Tariff Board on Salt, Evidence Vol. II, Pp. 148-149.

These rates further strengthen the conclusions adverted to above. It will be seen that freight on wagon load at owner's risk from Agra for 838 miles is quoted at Re. 1-0-10 on dry hides and skins and Re. 0-12-8 on wet ones, but from Bhopal for 521 miles they charge Re. 1-3-3. This is the result of port competition. Railway rates, thus, help the exports of hides and skins. Furthermore, to facilitate the export trade they have made the distinction between dry and wet hides and skins and reduced rates are quoted. This distinction is not maintained from all the stations, and therefore a sort of discrimination is practised between the different despatching centres. So also the difference in rates between the wagon load consignments at owner's risk and railway risk is in practice discriminatory in favour of some centres. For instance, from Cawnpore the wagon load rate at R. R. is Rs. 2-2-1, but at O. R. the rate is Re. 0-15-11 and Re. 0-12-4 on dry and wet consignments respectively. Similar difference is maintained in rates quoted from New Delhi, Agra, Aligarh and Lucknow. But the rates from Bhopal and Jhansi are radically different. Again, the rates quoted from Cawnpore, Agra, Aligarh and Lucknow to Bombay are Re. 0-12-4, Re. 0-12-8, Re. 0-15-7, and Re. 0-14-5 respectively ; but, on similar consignments the rates from Lahore and Amritsar to Agra, for a substantially lower distance, are Re. 0-15-7 and Re. 0-14-11. Thus, it is clear that the internal traffic has to pay rates higher than those quoted on export traffic.

Rates to Bangalore Tanneries :

Bangalore city is the most important tanning centre in Southern India. The statement submitted below portrays the rates from some more important collecting centres in Northern India to Bangalore.

Rates to Bangalore City.

Stations from.	Actual weight	Wagon Load.	Wagon Load. (dry)	Wagon Load (wet)
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
New Delhi	4 11 10	4 7 0	1 11 3	1 6 6
Cawnpore	4 4 11	4 0 7	1 9 4	1 5 1
Belanganj	4 5 8	4 1 3	1 9 4	1 5 1
Bhopal	3 5 4	3 2 0	2 4 7	2 4 7
Jhansi	3 14 8	3 10 8	1 11 11	1 11 11
Lahore	5 10 9	5 4 11	2 5 11	2 1 2
Amritsar	5 9 9	5 4 0	2 5 3	2 0 6
Meerut City	4 13 10	4 8 10	1 13 3	1 8 6
Lucknow	4 6 7	4 2 8	1 11 5	1 7 2
Aligarh	4 8 10	4 4 3	3 1 9	3 1 9

It will be seen that the rates quoted at owner's risk are substantially lower than those quoted on the railway risk, which rightly helps to widen the marketing area within which the tanneries can draw their raw materials. But, while we acknowledge the sympathetic attitude of the railway authorities towards this long distance traffic, we cannot help recording that something better could be done for facilitating the traffic passing to the tanneries without adversely affecting the receipts of the railways. On the contrary, the railways would get better receipts as a result of the change. Firstly, the rates to Bangalore city—and as a matter of fact to all the internal tanning centres—should be quoted on the same basis as those quoted on the export traffic, because this would remove the discrimination which at present operates against the local tanneries, and thereby help to divert a part of the traffic in raw hides and skins from ports to local tanneries. This would benefit the railway substantially because they would get a longer journey to the tanneries on the raw stock and thereafter on the tanned traffic, either for export or for internal consumption. What we want to point out is that the railway authorities should cease attaching undue importance to the export traffic and that the internal traffic instead of being discounted should be placed at par with the export traffic in matters of rate making. This would stimulate alike the growth of internal trade and the earnings of the railways. Secondly, some of the most obvious anomalies, which the foregoing rates betray, should be removed immediately. For instance, whereas the rate quoted from Jhansi is Re. 1-11-11, that from Bhopal for a lower distance is Rs. 2-4-7. The traffic from Bhopal and Jhansi to Bangalore city has to travel over the G. I. P., N. S. and M. S. M. Railway, *via* Balharshah and Dronachellam, and the charges levied are as follows :—

	From Bhopal.	From Jhansi.
	Rs. a. p.	Rs. a. p.
G. I. P.	0 13 10	0 11 3
N. S.	0 14 5	0 8 4
M. S. M.	0 8 4	0 8 4
Total ...	2 4 7	1 11 11

The most glaring inconsistency will thus be evident. It will be seen that the distance traversed on the N. S. and M. S. M. Railways is same in both the cases and yet the N. S. Railway discriminates the

traffic coming from Bhopal and Jhansi and charges the former about Re. 0-6-1 more than that on the latter. This is obviously an invidious distinction and needs be removed. But there is still another discrimination of a more despicable sort. The G. I. P. proportion of the total freight is Re. 0-13-10 from Bhopal and Re. 0-11-3 from Jhansi. The total distance which a consignment from Jhansi traverses on the G. I. P. is greater than that from Bhopal and yet the charge is higher. This is an instance of levying a higher charge for a shorter distance. Again, the rate charged from Lucknow to Bangalore city, *via* Cawnpore-Balharshah-Dronachellam, is Re. 1-11-5 and Re. 1-7-2 for dry and wet hides and skins respectively, a rate which is lower than the rate either from Jhansi or Bhopal, even though the distance covered is greater. The proportionate charge of the different railways over which the consignment from Lucknow to Bangalore city travels further helps to explain the nature of the policy.

	Wet.	Dry.
	Rs. a. p.	Rs. a. p.
E. I.	0 2 1	0 2 1
G. I. P.	0 10 8	0 8 0
N. S.	0 6 4	0 4 9
M. S. M.	0 8 4	0 8 4
Total ...	1 11 5	1 7 2

Here, again, the proportions of the G. I. P. and N. S. Railways need a very careful scrutiny. When we compare the rates charged by the N. S. Railway on the consignments from Lucknow, Jhansi and Bhopal, the proportions reveal considerable difference, even though the distance is equal in all the cases. The G. I. P. proportions is still more anomalous, because whereas from Cawnpore to Balharshah it charges Re. 0-8-0 for wet and Re. 0-10-8 for dry hides and skins, from Bhopal to the same junction the charge is Re. 0-14-5, notwithstanding the fact that the distance traversed on the line in the latter case is shorter by about 317 miles. Similar discrepancies are observed when the rates from Meerut City and Aligarh are compared, as portrayed in the statement submitted below :—

Rates from Meerut City.				Rates from Aligarh.		
		Dry.	Wet.			Dry.
		Rs. a. p.	Rs. a. p.			Rs. a. p.
N. W....	... ..	0 2 0	0 2 0	E. I....	... ..	0 2 11
G. I. P.	... ..	0 12 6	0 9 5	G. I. P.	... ..	1 8 1
N. S. ...	... ..	0 6 5	0 4 9	N. S. ...	... ..	0 14 5
M. S. M.	... ..	0 8 4	0 8 4	M. S. M.	... ..	0 8 4
Total ...		1 13 3	1 8 6	Total ...		3 1 9

The traffic from Meerut city is booked *via* New Delhi, Balharshah and Dronachellam and that from Aligarh is routed via Agra Cantonment, Balharshah and Dronachellam. It will be seen that the M. S. M. Railway proportion is the same in all the cases because the distance over which the consignment has to be carried on its own lines is the same throughout. This individualistic attitude of the M. S. M. Railway is far from commendable because it penalises the long distance traffic. But the G. I. P. and M. S. M. proportions present considerable complications. The N. S. Railway proportions for traffic from Meerut city is Re. 0-6-5 for dry and Re. 0-4-9 for wet hides and skins, but on Aligarh the charge is Re. 0-14-5. In both the cases the traffic covers long distances and the glaring difference in rates is difficult to explain. The G. I. P. proportion is still more anomalous because for the Meerut traffic from New Delhi to Balharshah the charge is Re. 0-12-6 for dry and Re. 0-9-5 for wet hides and skins, but for Aligarh traffic from Agra to Balharshah for a shorter distance the charge is Re. 1-8-1. Instances of such anomalies can be multiplied. *Thus, this additional evidence further strengthens our conclusion, adverted to in the preceding section, that the internal traffic is charged rates higher than those levied on the export traffic. In other words, the Indian tanneries have to pay higher rates on the hides and skins tanned by them in comparison with the rates charged on the export traffic. Railway rates policy favours the export of raw hides and skins.* We shall now pass on to review the rates on tanstuffs.

Rates on Tanstuffs :

Tanstuffs, as given in the Indian Railways' General Classification of Goods, include bark, leaves, nuts or fruits used in tanning,¹ and

1. Indian Railways' General Classification of Goods, P. 595.

are classified as first class, railway risk. On most of the railways, however, schedule rates, lower than the class rate, are quoted on wagon loads¹ at owner's risk. The E. I. Railway quotes C/R schedule rate, the basis of charge being as follows :—

1 to 150 miles	...	...	...	0.140 pie per maund per mile.
Plus Above 150 miles	...	...	...	0.110 " " " " "

On the G. I. P. Railway C/O schedule rate is quoted with the following basis of charge :—

1 to 75 miles	...	...	...	0.30 pie per maund per mile.
Plus 76 to 400 miles	...	...	...	0.170 " " "
„ Above 400 miles	...	...	...	0.10 " " "

Similarly, on the B. B. & C. I., Jodhpur, and Bikaner State Railways C/O schedule rate is quoted. On the Eastern Bengal Railway C/C schedule rate is charged which works out at 0.3000 pie per maund per mile. The M. S. M. Railway C/M schedule rate is quoted with the undermentioned basis of charge :—

1 to 75 miles	...	...	...	0.380 pie per maund per mile.
Plus 76 to 300 miles	...	...	...	0.200 " " "
„ Above 300 miles	...	...	...	0.100 " " "

The South Indian Railway quotes C/M schedule rate with the basis are charge as follows :—

1 to 75 miles	...	...	...	0.333 pie per maund per mile.
Plus 76 to 150 miles	...	...	...	0.200 " " "
„ 151 to 300 miles	...	...	...	0.170 " " "
„ 301 to 400 miles	...	...	...	0.125 " " "
„ Above 400 miles	...	...	...	0.100 " " "

The North-Western Railway quotes L/T schedule rate over the broad gauge on the following basis :—

1 to 100 miles	...	...	...	3 annas and 6 pies per 4-wheeled wagon per mile.
Plus 101 to 200 miles	...	...	...	2 annas and 9 pies per 4-wheeled wagon per mile
„ Above 200 miles	...	...	...	2 annas per 4-wheeled wagon per mile.

Apart from these schedule rates the G. I. P. Railway quotes special station-to-station rates from the more important collecting areas to the tanneries on its lines and *via* on wagon loads. Thus we have the following rates :—

1. Wagon load conditions differ with different railways and often on the same railway with the gauge of the line and the carrying capacity of the wagon.

From.	To.	Rate per Wagon.
		Rs. a. p.
Bhopal	Jubbulpore & Via	59 0 0
"	Saugor	33 0 0
"	Agra	80 0 0
"	New Delhi & Via	109 0 0
Bombay	Cawnpore	236 0 0
Kala Akhar	"	112 0 0
Dhodramohar	"	114 0 0
Ghoradongari	"	118 0 0
Dharakhoh	"	121 0 0
Maramjhiri	"	123 0 0
Baramati... ..	Bombay (Dadar)	
"	" (Sion)... ..	69 0 0
"	" (Kurla)	

Further, the G. I. P. Railway gives special rates per wagon per mile from the more important collecting areas to tanning centres like Cawnpore, Bhopal, via Naini for Allahabad and Howrah. Thus, for instance, from any centre on the Jubbulpore Naini Branch, Bhopal-Ujjain, Bhopal-Jhansi, Bina-Katni, Cawnpore-Banda, Jhansi-Manikpur, and Jhansi-Gwalior sections, a rate of Re. 0-4-6 per wagon per mile, subject to a minimum charge of Rs. 15 per wagon used, is charged. Seasonal lower rates are also quoted. Thus, from 15th June to 15th October each year, tanning extracts despatched from Bhopal to *via* Naini and *via* New Delhi, in wagon loads of 16 tons, are charged at the rate of Rs. 145 and Rs. 150 per wagon, respectively, whereas from 16th October to 14th June each year the charge is Rs. 161 and Rs. 167 respectively.

Rates on Myrabolans :

One most important tanning material which is not included in the foregoing group of tanning stuffs is myrabolan which is differently classified in the railway tariffs although in the General Classification of Goods it is classed as first class railway risk, like the other tanning-stuffs. The actual schedule rates quoted on the different railways, however, differ. These rates may now be briefly noticed.

The E. I. Railway charges rates similar to those quoted on grain, pulses and seeds common. The G. I. P. Railway charges C/O schedule rate as applicable to other tanning stuffs, when booked from any of the stations on its lines and *via* to Bhopal to Bombay. Also C/B and C/K schedule rates are charged from stations on the G. I. P. Railway situated in the Central Provinces.

The basis of the C/B schedule is .333 pie per maund per mile. The basis of C/K schedule is as follows :—

1 to 150 miles	...	...	...	380	pie per maund per mile.
Plus 151 to 250 miles	...	...	...	250	" "
" 251 to 400 miles	...	...	...	125	" "
" Above 400 miles	...	...	...	115	" "

The Bengal Nagpur Railway charges C/H schedule rate the basis being as follows :—

1 to 300 miles	...	...	...	380	pie per maund per mile.
Plus 301 to 700 miles	...	...	...	130	" "
" Above 700 miles	...	...	...	100	" "

On the M. S. M. Railway C/G schedule rate is charged, with the following basis :—

1 to 300 miles	...	...	...	0.380	pie per maund per mile.
Plus 301 to 400 miles	...	...	...	0.300	" " "
" 401 to 500 miles	...	...	...	0.200	" " "
" 501 to 600 miles	...	...	...	0.125	" " "
" 601 to 700 miles	...	...	...	0.115	" " "
" Above 700 miles	...	...	...	0.100	" " "

These are the schedule rates applicable on myrabolan traffic in general, but they do not convey a complete view of rates applicable on the total volume of traffic in myrabolans, because greater part of the traffic is carried at station-to-station rates lower than the schedule rates adverted to above.

The G. I. P. Railway quotes special station-to-station rates from the more important areas it serves. The statement submitted below shows the rates quoted from some despatching stations in the Central Provinces to Bombay for export.

Rates per maund to Bombay.*

Station from	Rate.	Station from	Rate.	Station from	Rate.
	Rs. a. p.		Rs. a. p.		Rs. a. p.
Betul ...	0 10 7	Maramjhiri ...	0 10 9	Nawegaon ...	0 9 4
Kala Akhar ...	0 12 1	Amla ...	0 10 2	Hirdagarh ...	0 9 0
Dhodra Mohar ...	0 11 9	Jambara ...	0 9 10	Parsia ...	0 7 5
Dharakoh ...	0 11 0	Bordhari ...	0 9 7	Bankhedi ...	0 12 11
				Babai ...	0 13 0

*These are owner's risk rates.

Similar station-to-station rates are quoted from Belgaum, Desur, Khanapur, Gunji, Londa, Kolhapur, etc., in Southern India to Bombay. Besides these, there are a few station-to-station rates quoted to tanning centres like Cawnpore, Agra, and Delhi, but they are not as numerous as those quoted to Bombay. *It is clear, therefore, that the rates favour the export of myrabolans.* This shows that in respect of tan-stuffs also railway rates policy seriously handicaps the growth of tanneries within the country. It is necessary that more numerous station-to-station rates needs be quoted on tan-stuffs from the collecting stations to the tanneries.

B. N. Railway, also, serves important myrabolam areas and quotes station-to-station rates as may be seen from the statement given below :—

From	To Shalimar and Via.	To Via Asansol.	To Khargpur.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Bagbahra	0 10 2	0 9 8	—
Balaghat	0 7 11	0 9 9	0 9 9
Bhmhribanjar	0 8 5	0 9 9	0 9 9
Birsinghpur	0 10 2	0 9 8	0 9 8
Chhindwara	0 8 11	0 8 11	0 8 11
Dongargarh	0 10 2	0 9 8	0 9 8
Lamta	0 8 6	0 9 9	0 9 9
Parsia	0 10 3	0 10 1	—
Raipur	0 9 9	0 9 3	0 9 3
Umaria	0 10 2	0 9 1	0 10 0

Having reviewed the rates on hides and skins, both for export and internal tanning, and the more important raw materials utilised by the tanneries, we come to the study of rates on leather. In the Indian Railways' General Classification of Goods, leather common is classified as 4th class R. R. and leather goods as 6th class R. R. This classification is applicable on all the railways without any exception. Since the class rates quoted by all the railways are on the same basis, we shall, in order to avoid the unnecessary details, study the rates quoted by the N. W. R. on leather, common imported from Karachi, and for leather goods the rates applicable on the G. I. P. Railway. This will give us an adequate idea of the rates charged on this traffic.

Rates on Leather :

The freight charged on leather, common, on the North-Western Railway for a pre-war and the current year are tabulated below :—

Rates per maund from Karachi.

Miles.	Station to	Rates in 1932.	Rates in 1914.
		Rs. a. p.	Rs. a. p.
929	Peshawar	3 0 6	2 7 3
949	Meerut City	2 10 6	2 2 2
920	Ghaziabad	2 9 10	2 3 7
898	Saharanpur	2 10 6	2 1 3
833	Gurdaspur	2 11 6	2 3 3
874	Campbellpur	2 13 8	2 4 11
843	Ambala City	2 12 1	2 3 5
806	Ludhiana	2 10 2	2 2 2
788	Amritsar	2 9 3	2 1 4
751	Labore	2 7 6	2 0 1
685	Lyalpur	2 3 11	1 13 1
576	Multan City	1 14 3	1 8 7

The increase in rates brought about in 1922, after the reorganisation of the Railway Tariffs, does not seem to be excessive, and tones down when the price level is taken into consideration. However, a critical analysis of the foregoing tables reveals the preferential nature of some of the rates charged. For instance, whereas the charge to Meerut City for 949 miles in Rs. 2-10-6, for a lower distance of 929 miles to Peshwar the rate is Rs. 3-0-6. This is due to the competition of the E. I. R., because similar lower rates are quoted to Ghaziabad and Saharanpur. *Thus, competition between the ports helps the penetration of imports.* But on the whole, these rates convey a favourable impression.

Rates on Leather Goods :

Similarly, on leather goods 6th class rates at railway risk are quoted on all railways. The statement submitted below portrays the rates applicable on leather goods from Bombay and Agra.

RATES FROM BOMBAY

RATES FROM AGRA (BELANGANJ.)

Miles	Station to	Rate	Miles	Station to	Rate
		Rs. a. p.			Rs. a. p.
970	Lucknow	3 1 5	76	Gwalior	0 6 3
838	Belanganj	3 6 5	318	Bhopal	1 7 0
763	Gwalior	3 5 9	560	Nagpur	2 7 9
521	Bhopal	2 5 0	453	Jubbulpore	2 0 4
520	Nagpur	2 5 0	838	Bombay	3 6 5
616	Jubbulpore	2 11 7	939	Sholapur	4 1 11
283	Sholapur	1 4 7	771	Ahmednagar	3 6 4
218	Ahmednagar	1 0 1	870	Poona	3 13 2
119	Poona	0 9 3	122	New Delhi	0 9 5
			400	Amritsar	1 12 7
			419	Lahore	1 13 11
			707	Peshawar	3 1 10

It will be seen that the rates quoted from Bombay and Agra are on the same basis and the port competition does not seem to affect the rate structure. This is a very desirable feature of the rates policy, since the business community concerns itself more with the relative than the absolute level of transport charges. This seemingly equal treatment of the internal and imported traffic in leather goods is due to the fact that class rates—and not telescopic rates—are quoted. These uniform mileage rates limit the scope for discrimination. The uniform mileage rates penalise long distance traffic in case of low-priced goods, but for leather goods the charge does not seem to be unfair. Under the present circumstances there is little to say against these rates, but with the reorganisation of the rates in future telescopic schedule rates will have to be substituted to foster the development of indigenous trade and industries.

Thus, the effects of railway rates on the different aspects of Indian leather industry, right from the collection of raw hides and skins to the emergence of finished leather, and the imports of foreign leather, called in to supplement the total requirements of the country, have been studied. The preferential rates quoted by the railways on raw hides and skins moving to ports, to facilitate their export, to the detriment of Indian tanneries, have been explained in detail and the

necessity for an early removal of this impediment to the development of this important national industry has been emphasised. In other words, the policy of facilitating the export of raw materials, which are required by the local industries and can be profitably utilised by them, by quoting preferential rates to ports needs an immediate corrective ; the internal traffic should, in matters of rate-making, be treated on equal terms with the export traffic. This is not in any way of novel suggestion. The Indian Industrial Commission had already emphasised the need of such a policy as early as 1916-17. In view of the marked economic tendencies of the post-war period, it is essential to have a more active economic and industrial policy in the interests of the country. The railway authorities should, therefore, immediately shake off their characteristic conservatism in rating and eliminate the element of preference in rates for export traffic in raw hides and skins. This is not all. As national arteries of commerce they should help the utilisation of these hides and skins in the country itself by making suitable modification in railway rates, so as to facilitate their movement from the collecting centres to the factory sites. This would be in the interests of the railway as well, because thereby they will get larger aggregate traffic. However, before the reorganisation of the rates is taken up the whole question should be carefully examined.

Summary of Conclusions :

i. Trade in hides and skins, especially at its initial stage of the production and collection of the raw stock, lacks adequate organisation, and hence the difficulty of making an accurate estimate of the annual output.

ii. This lack of organisation adversely affects alike the quality and quantity of the raw stock.

iii. But, the export trade, on the contrary, is well organised and its technique is difficult to comprehend.

iv. Striking features of the railway rates policy as affecting the trade in raw hides and skins are :

(a) Station-to-station rates, lower than the class rates, are quoted from numerous collecting centres to ports ;

(b) Due to competition *inter se* of the railways serving the ports, rates from the competitive zones are appreciably reduced.

(c) As a result of this competition rates from non-competitive points are raised.

(d) And the instances of block rates, with a view to prevent the diversion of traffic, are not lacking.

(e) The local tanneries have to bear the burden in form of higher freights.

v. Rates on tanstuffs are, likewise, more favourable for export than to the tanneries, because in the first place, numerous station-to-station rates are quoted from the collecting centres to the ports which are denied to the tanning centres; and, secondly, the railways in calculating the telescopic schedule rates do not take into account the total distance traversed by the consignment with the result that when a consignment has to travel over more than one line the *de facto* rates which the tanneries have to pay become substantially higher than even the schedule rates.

vi. Rates on leather and leather goods convey a more favourable impression, but here, too, the effects of competition between railways serving the ports are discernible.

In view of all these factors, which have conspired to complicate the railway tariffs and help to neutralise the effects of protective fiscal tariff to the detriment of national interests, the necessity for the reorganisation of the rate structure cannot be over-stated.

Before we close it is essential to say a few words about the responsibilities of those at the helm of the Indian leather industry. It has already been shown that the initial stages of our trade in hides and skins show an awful lack of organisation. In fact there is no organisation at all worth the hope. This gap in the structure of the industry should therefore be promptly made up. Here, merchants in the cities can do a great deal by pooling their individual resources and having a network of representatives in the rural areas they cater for. These representatives or agents should instruct the chamars, or other village folk, as to the scientific methods of removing the carcass, and of curing and preserving them. No doubt even at present there are a few collecting houses having their agents in the rural areas, but these agents have not hitherto made any efforts to improve the quality of the hides and skins. Improvement in the quality of hides and skins would, therefore, be beneficial alike to the merchants and the rural masses. Besides, direct collecting of the type we suggested would eliminate the chain of middlemen now common.

The collecting houses referred to in the preceding paragraph should preferably be also tanners, or else the tanneries should have definite financial interests in them. Those houses will then supply the hides and skins needed by the tanneries from the nearest locality, keeping in view the quality required. This would effect substantial economics in transport costs by eliminating the waste resulting from the overlapping of the collecting areas. Besides, these houses will have decided advantage in negotiating with the railway authorities

about railway facilities. They will also be in a better position in collecting and disseminating the information about foreign markets to their members and in bargaining with the foreign interests. This is not all. Proper organisation would also facilitate research work in the industry and bring it within the reach of the charmar who needs the help most in this direction. These are, in brief, the essential prerequisites of sound industrial structure that must be promptly provided for if the industry is to stand the strain of modern economic policy.

RAILWAY RATES IN RELATION TO TRADE & INDUSTRY IN INDIA

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