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Oral Evidence

recorded during enquiry on the

SALT INDUSTRY

Volume II

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सत्यमेव जयते

LITTLE ADEN SALT WORKS, ADEN.

Evidence of Mr. F. G. GOULD and Mr. H. A. LALLJEE, recorded at Bombay on Tuesday, the 29th October 1929.

President.—Mr. Gould, do you represent any particular Company?

Mr. Gould.—The Aden Salt Works and the Grahams Trading Company who are their agents.

President.—Are you interested as manufacturers or as importers?

Mr. Gould.—We are importers but I have authority from the proprietors the Aden Salt Works to represent them in this enquiry.

Dr. Matthai.—The proprietors of the Aden Salt Works are Italians?

Mr. Gould.—Yes.

President.—Unless you are intimately connected with manufacture . . .

Mr. Gould.—I can't give you very much information on technical points.

President.—It is rather unfortunate that the manufacturers have not attempted to come forward themselves or sent their technical advisers to give evidence.

Mr. Gould.—On my way to India I got down at Aden; I went over their works and they told me that it was necessary for somebody to appear on their behalf and asked me to represent them.

President.—I must warn them that any manufacturer who does not take steps to be represented properly does it at his own risk. I have no doubt about your ability and that you will be able to assist us but that is not the point—

Mr. Gould.—Quite. If it is intended to have a further enquiry later on I can arrange for one of the manufacturers to be present.

President.—It is very inconvenient to give postponements. Practically the whole of our programme has collapsed owing to the habit that applicants have got into now-a-days of asking for postponements. Everybody says he is not prepared. It would however be possible for the Board to give them an opportunity at a later stage if they wish to come forward. But they must try and appear at the earliest possible moment.

Mr. Gould.—The questionnaire has been received and I take it is being answered. If the questionnaire is very fully answered would it still be necessary for them to appear before the Board?

President.—It is always necessary because we have found in our enquiries that the answers to the questionnaire do not help us very much.

Dr. Matthai.—When do you expect to send in your replies?

Mr. Gould.—I shall have to wire to them.

Mr. Lalljee.—I have been asked to represent the Little Aden Salt Works as well as the Hajibhoy Salt Works.

Dr. Matthai.—You are not representing the Indo-Aden Salt Works?

Mr. Lalljee.—I do.

Dr. Matthai.—Then you are representing three companies?

Mr. Lalljee.—Yes.

Mr. Mathias.—You are representing all the Indian companies?

Mr. Lalljee.—Yes.

Mr. Gould.—When I was passing through Aden they came along and took me ashore. The Resident was holding a conference and the idea was that Aden interests would be represented by Mr. Lalljee and myself.

Dr. Matthai.—The Aden works understand one another thoroughly!

The scope of the enquiry.

President.—This morning I propose to tell you briefly the scope of the enquiry and I shall also state some of the difficulties which we have got to consider. But I must tell you that anything I say you must not take as an expression of the Board's opinion. Obviously we cannot form any opinion and even if a statement is made in such a way that it conveys to you the impression that it is an expression of opinion, it is not so because you would be misled if you think the Board will express any opinion except in its final report. We found during the last enquiry, I mean the Match industry, that although we had taken particular care to warn the public, mere statements were taken as expressions of opinion by this Board with the result that a lot of irrelevant evidence was placed before us which we did not consider and a lot of public opinion was expressed to carry on some sort of propaganda by the parties interested. I hope on this occasion that will not be repeated. It is of very great importance that I should state to you frankly what I think the difficulties are at the moment. There is plenty of time for all of us to form opinions but the time has not yet come.

I dare say you have all read the resolution of the Government of India under which this reference was made. The resolution states, as you know, that the idea is to make India self-supporting in the matter of that class of salt which is imported from abroad as well as from Aden. The first point I wish to explain is this, that there is some misapprehension as to the claims of various localities to such relief, if any, that we may grant. As a rule this Board does not make any recommendation as regards localities; it is left generally to the industry to consider what locality is suitable, but if the Board does say anything in favour of a particular locality it generally lays down certain conditions which make that locality more favourable than others. But beyond that the Board will not express any opinion. As regards Aden the first point that arises is that it has been claimed by people who manufacture salt in India that Aden should be excluded because it is not a part of British India. Aden is a part of British India and we cannot ordinarily make any distinction between one part of British India and another as regards any particular remedies that we may propose. Our terms of reference however require us to go into that question. We shall not ask you for any evidence on the point as to whether Aden is part of British India or not; (I notice that nearly all these representations from Aden deal with this aspect of the case)—but, on other grounds, Aden may require different treatment.

Then as regards the Indian States the position is somewhat different. For historical or other reasons the export of salt from Indian States into British India is not allowed in the absence of special arrangements. The Government of India have however said in their resolution that it is the settled policy of the Government of India to allow salt to be exported from Indian States to Bengal and Burma. Therefore even in the case of Indian States they are entitled to export their salt to the Bengal and Burma markets the reason being that there is no part of India at present which does and can supply salt in required quantities to the Bengal and Burma markets where a special kind of salt is required. So that any contention by the Aden manufacturers or manufacturers in British India that Indian States ought to be excluded will not be accepted. The language of the resolution is perfectly clear on that point. As to the reasons the Board is not concerned with them at all.

Then there is Burma. As regards Burma the problems appear to be at present to be somewhat different from those of India and we propose to take up that question at a later date, and after having investigated the case of Burma we shall then consider it along with the case for the rest of British India and make such recommendations as are found necessary. But at present we do not propose to go into the Burma problem.

In British India itself there are a number of persons who claim that they can manufacture the kind of salt that is consumed in Bengal, so it is important for you manufacturers to consider what you are about before you launch into any extensive manufacture. There is Karachi for instance. Karachi now claims that it can manufacture about 200,000 tons of salt of superior quality per year. Then there is Okha. It is said that it can produce the whole requirements of Bengal—how far that contention is based on facts we shall have to consider later on. There are Government salt works also. It is suggested that to-day the Khewra Salt Mines can produce an excellent quality of salt which it may be possible to place on the Bengal market under certain conditions and they claim that they can supply a substantial part of Bengal's requirements. Then it is said on behalf of Sambhar that with improved methods of machinery it is possible to produce a substantial part of Bengal's requirements. Then there is Tuticorin which claims that with certain facilities it can supply about a couple of hundred thousand tons. Now there are these different places which claim to be able to supply certain quantities. Now, what is the demand at present for this class of salt? It can't be put at much more than 500,000 tons excluding Burma, of which Aden supplies about 200,000 tons roughly. Therefore what is left for the Indian manufacturers is 300,000 tons. If each one of these places wants to make 300,000 tons or more, there is a risk that it may lead to over-production and the hopes of these manufacturers making big profits if any assistance is given may not after all be realized. What I would like you to consider from your own point of view is whether the chances of success are very great if everybody undertakes to manufacture, say, 100,000 tons. It is perfectly obvious that if these claims are established that they can manufacture such large quantities, it comes to this that they can manufacture a million tons while the demand is only for 300,000 tons. That is the general situation as regards the future. We will of course enquire into this aspect of the case. Now you have got different centres of production. You have got Aden for instance outside the territory of British India; then you have got Karachi at the extreme end so far as the Bengal market is concerned. Then you have got Okha which is just a few miles nearer. Then you have got Tuticorin which is at the other end; then you have these Rajputana mines which are about 1,200 miles from Calcutta and Sambhar which is about 800 or 900 miles. It is quite clear from such statements as we have received that the cost of production, though an important factor, is not the decisive factor in this case, that is to say if you produce salt cheaply it does not necessarily follow that you will be able to sell it cheaply. Therefore we have got to examine in what locality this salt can best be produced and whether it would be of the quality that is required in that market. As I said before, we are expressing no opinion but I can say this much as regards the Bombay salt that it is really very different from the quality that Calcutta expects and unless some revolutionary changes are made in the method of manufacture to improve the quality, I doubt very much whether it is really worth while for Bombay to aspire to go into the Bengal market. There is one thing I would point out in this connection. If you take the present prices of salt in the Bengal market delivered at the golahs, they don't appear to be very much higher than the prices at which you sell this inferior salt in Bombay and even then you complain that in the Bombay market you are not getting good price. This is a point which the Bombay manufacturers should consider. If you compare prices *ex*-golah, the price of Aden salt in Calcutta *ex*-golah is Rs. 68 a ton which is not even 12 annas a maund whereas your Bombay salt fetches a higher price in the Bombay market. I wish you to consider this point. We are collecting evidence as regards prices in Bombay and there are no *ex*-golah prices which we can compare with the Calcutta prices, but as far as we can tell at present the price free on rail will not be very much lower than the prices *ex*-ship in Calcutta.

Mr. Gould.—Yes.

President.—There is a lot of difference between this class of salt and the salt that is in demand in Bengal. I am just drawing your attention to the

risk that you may be running by imagining that if reasonable assistance is given you may be able to compete in the Bengal market. If you can do so it is so much the better. You are complaining that even to-day the prices are not remunerative in the Bombay market. This better salt is being sold in the Bengal market at about the same price. What chance have you? If we were to say that a particular site or sites would be more favourably situated we should be guided by certain considerations. Supposing we did, then the first thing that we shall consider is the cost of production, secondly the quality of the salt and thirdly the quantity available. Then the most important thing is the cost of marketing that salt in this market. We are not prepared to express any opinion as to whether in the long run sea transport would be more economical or rail transport under certain conditions, because the amount of freight that you pay does not necesasrily represent the total cost to the consumer. Therefore we will have to ascertain not merely the freights that you have to pay out the total cost of transport from the works to the market before it reaches the consumer as a whole. Also we must take into account the advantages that one mode of transport may have against the other mode. For instance it may be said that rail transport under normal conditions is more reliable than the sea transport. You can always depend on a train leaving the works at a particular time and arriving at the other end in a reasonable time, but there is no such guarantee about sea freights especially in the salt market. Sometimes more freight may be available and at other times less freight may be available and it may be very dear, but such a thing doesn't happen in the case of railway freight. These are points that we must take into account in deciding where this class of salt can best be produced and how it can best be transported to the market. The other thing is that production must be carried on in such a way that whatever the conditions of the market may be, the manufacturer is able to stand the competition, because this is not a case in which supposing some assistance is given, you can constantly vary it, and it requires a lot of consideration. In the case of other protected industries we recommended that if the import prices fell, additional duties might be imposed. It is doubtful whether such a thing may be possible in a case like this. Therefore there must be some guarantee that once assistance is given the industry must be able to do without it. There also the freight problem is a factor which leads to unstable prices. We have been watching the prices for some time examining them and there has been no great variation in the cost of production and yet prices have varied tremendously. Part of it may be due to artificial reasons and part of it may be due to fluctuations of the trade. You must take into account the relative claims of an industry one of which has to depend on the rail transport and the other on the sea transport.

Mr. Gould.—Is your reference to imported salt?

President.—Yes. There have been variations, but the fact remains that there are these very violent fluctuations in the price of imported salt. In one year I think the variation was between 56 and 100. That is a tremendous variation. If any locality wherefrom the salt comes is subject to such variation even if it occasionally provides cheap salt, it does not necessarily follow that it would in the long run be to the national interest to get the salt from that place. It is a factor which we must take into account and secondly there is this point as regards sea freight—I am speaking of India proper, if the whole of this salt is to be produced in India, that is to say, if for the sake of argument. Aden goes out, it means that 500,000 tons must be produced in India. We must be satisfied that 500,000 tons of sea freight would be available from Karachi or Okha to Calcutta and more or less at uniform rates. The freight market is a very uncertain market. The moment there is a demand for 500,000 tons the freight may jump up or it may be that, to attract the traffic, the freights may go down. You can never be quite certain as to what may happen as regards sea freights, but such is not the case with railway freights, and you can calculate precisely what it is going to cost. Therefore that is a factor which we will have to take into account and which we will have to investigate. The same thing applies to

Aden. It requires additional freight. Supposing all foreign salt is shut out, it is difficult to say what the freights might be. Therefore we cannot entirely overlook other localities which may be dependent on railway freight. We will have to take the balance of advantages and disadvantages and then make our recommendations accordingly. Though we may not select a site, our recommendations will have to be such that it may benefit only those manufacturers which as regards these conditions are most favourably situated. In that case other manufacturers should have no reason to complain. If they select a site which, having regard to the conditions that I have mentioned is unsuitable compared to some other site, then they must take the consequences. I am repeating it once more that the Board does not express any opinion just now on any of these points. I am simply putting to you the points that you have to consider and upon which you have got to advise us. You can say that there is nothing in these points I am mentioning, but you will have to give me your reasons for it. At first sight it does appear that these points involve many serious difficulties upon which public opinion would be required.

There is also this thing to be remembered that there may be serious competition between the railways and the shipping companies. There may be a readjustment of the freight that is available by the establishment of this industry in which there is some competition between the railways and the shipping companies. It is difficult to foretell what may happen. Therefore if we recommend any particular locality it must be a locality which would lead to stabilization, that is to say a locality which will not require frequent assistance. It will have to depend on what it has got if it gets anything and where the price would be subject to least fluctuation and it is for you to suggest where these localities are which fulfil all these various conditions and we are ready to hear you.

There is one very great difficulty and that is as regards prices upon which we shall require a considerable amount of evidence. Not only the evidence must be reliable, but the prices must be comparable. We must get the same sort of price for the same quality of salt and for the same quantity. As you know in Bombay it is impossible to say what is the price of salt. After all no one eats a bag of salt at a time. Therefore it is important to decide what the prices are to the man who eats the salt and not to the man who sells the salt. Here in Bombay the quality does not depend upon its purity, but upon its lightness, so that it is difficult to compare the price of Bombay salt with the Liverpool salt. By weight it is worth Rs. 2, but by measurement it may be Rs. 2-8-0. Then there is another difficulty about ascertaining the retail prices of salt because of the different methods of sale. We haven't got sufficient evidence as regards wholesale prices. As regards Bombay we are not immediately concerned, but as regards Bengal we must have all the evidence on those points and the Board very much regrets to say that the only Association in Bengal which should have that information has so far not supplied us with that information on grounds that we do not regard as satisfactory. It is no use withholding this information or delaying this information, because we have got to get the information and if this Association does not supply, we have to make our recommendations independently of that Association assuming that it doesn't exist for all practical purposes or we shall get information from other sources which from the Association's point of view may not be so satisfactory, but here is a responsible body which practically controls the market in that part of India. We asked that body for information in the ordinary way and the answer that they have given we must regard as unsatisfactory. It doesn't amount to refusal, but it does amount to unwillingness on their part to supply that information, so that if you are at all connected with that Association, Mr. Gould, you must make it clear to them that this is not the kind of attitude that that Association ought to adopt towards a public body. It will not be in the national interests to do so. If they don't care what we say, then that is their business.

Mr. Gould.—I don't think they quite realised how important it was. They thought that the reference would have to be replied by the salt manufacturers in India.

President.—The questions were such that a baby only would say that. It is perfectly obvious what information was required. They might at least have said "We are ready to give you all the information we have". My colleague reminds me that in writing to this Association we drew particular attention to the questions in the questionnaire which we thought they could answer. I do not know how to account for it if they say they do not understand.

Mr. Lalljee.—Being one of the members of the Association I myself felt it very much when I understood that the Board thought that insufficient information or no information was given. I made enquiries and the position is this: the Association at Calcutta has to rely also upon the information to be got from the owners and they are far away. Before they could call a meeting the Secretary gave a general reply, but they are prepared to submit to you the rates and other particulars that they have got. Mr. Gould and myself will also submit to you all the particulars. In fact they will be prepared to give evidence before the Board when they are at Calcutta.

President.—I am very glad to hear it because the impression created in the mind of the Board is entirely different.

Mr. Gould.—I don't think there is any one in Calcutta amongst the importers who would answer that questionnaire. He would have to put it before his principals and the principals alone would be able to answer.

President.—If it had been suggested to us that that was their difficulty, we would have said "all right, we will give you time to consider it". I will just read to you one passage of this letter dated 17th October 1929, which we regard as very unsatisfactory—

> "As regards the wholesale prices of salts in Europe I have ascertained from members of the Association that such information is not available here and I regret I am not in a position to advise you where you may obtain the required information."

That is not the way to answer this Board.

Mr. Lalljee.—I agree.

President.—It simply delays the enquiry. It doesn't do anybody any good and in the end we shall get the information Association or no Association. It is for the Association to come forward and say "Here are the statements made against us and here are the particulars. We are willing to supply you with the information". That is the attitude that the Association ought to have taken because it is perfectly obvious that without these particulars we cannot proceed any further. After all we have to ascertain what sort of competition exists and the best evidence of competition is prices.

Mr. Lalljee.—Did you ask for prices in Calcutta?

President.—We asked for prices—c.i.f. prices in Calcutta and f.o.b. prices in Europe—and various other things. We marked the questions for them in the questionnaire. It is perfectly clear to anybody as to what information is required by us.

Mr. Lalljee.—I assure you that they never meant anything. The gentlemen who represent in Calcutta the Association are the agents of different manufacturers, and therefore they are nervous in replying to questions which pertain to their principals.

President.—Why did they not give the prices?

Mr. Lalljee.—They wanted to know what the position was or what attitude their principals would take.

President.—This is not a question of the principals at all. Here are the people dealing in the article for a series of years. They know the prices

at which they sell the article and the information was in their possession. They have not supplied us even with Calcutta prices.

Mr. Lalljee.—They are going to supply you.

President.—They have not yet supplied.

Mr. Lalljee.—I assure you as one of the members—and Mr. Gould also will join with me in this—that we are going to supply that information to you. We will give you c.i.f. prices and the golah prices so far as Calcutta and Bengal are concerned.

President.—I can tell you this much. There have been very violent fluctuations in the price—I don't think that the Association will deny that—but there has been no corresponding variation in the cost of production. There have been no serious fluctuations in freight which would account for a difference of Rs. 50 per 100 maunds. Those are facts which require explanation.

Mr. Lalljee.—I agree.

President.—Because if no explanation is given which is satisfactory, it would be a matter for Government to consider what steps they should take merely to stabilize prices. That is a point we have to consider. Supposing you are running it as a monopoly and controlling the prices Government can say " here is a monopoly which is un-controlled which speculates and which raises and drops prices to suit its own convenience. If this monopoly is going to be established, it may be to the advantage of the State to have some other arrangement by which there is a monopoly and there is a controlled monopoly ". Salt as you know is a very important commodity in which certainty of the price is far more important than its level because in an article which is sold in such small quantities in the bazar once the price is put up, even if the wholesale prices are reduced later, that reduction is not transferred so easily to the consumer. That is a factor which cannot be lost sight of. It is for that reason important that this Association should come forward and explain to us why there has been such variation in these prices. I think in one of the representations prices have been given.

Mr. Lalljee.—I may tell you in short that we will be able to explain all that.

President.—The public ought to know what is happening.

Mr. Lalljee.—We are going to explain to you.

President.—Take the year 1926. You started with Rs. 56. The price went on continually increasing until it reached Rs. 119 in 1927. It was more than double. Then in 1928 it came down to Rs. 76 and in 1929 it comes down to Rs. 65 or 69. Here obviously are figures which need some explanation. If this is going to happen to the consumer under an uncontrolled monopoly, it may be necessary for Government to step in and say " we shall stop it " because the consumer does not benefit by this arrangement. As I say, though the high price of Rs. 119 which was in force in 1927 had dropped to Rs. 76 in 1928 and to Rs. 65 or Rs. 69 in 1929, the retail consumer might have paid the higher price for a considerable period. 1927 was the year in which there was some strike which might have affected the price. Take 1924.

Mr. Lalljee.—The Association came into existence only 2½ years ago.

President.—Somebody has been manipulating prices. Whether it is the Association or the importer who does it, there must be some explanation of this fact. In one month it was Rs. 70; two months later it was Rs. 100; next month it was reduced to Rs. 90 and again 4 months later it was raised to Rs. 100. There should be no market in which price ought to vary to such an extent. This is the most crucial point in the whole enquiry. I am just trying to explain what sort of evidence we require. This is practically the starting point from the import point of view, and as I was telling you a little while ago, any recommendations that we may make must have at least this end in view, *viz.*, that prices must be stabilized at a reasonable

level so that the industry may not be injured by speculation on the part of the Association or ring or whatever you like to call them.

Mr. Lalljee.—You have asked prices for 1925 in the questionnaire.

Dr. Matthai.—In the questionnaire we have asked for prices from 1913-14 onwards.

President.—I think you would agree that circumstances such as these cannot be allowed to pass without some explanation and who else could give us this information except the persons who were responsible for these prices. By way of illustration I would just give a figure that has been supplied to us in these applications. Now they claim that they want an assistance amounting to Rs. 15 a ton—that is what it comes to—which will bring up the price to Rs. 77 *ex*-golah in Calcutta. That is merely an illustration. But you will find that until recently prices have been very much higher. This demand is based on the actual production, *plus* the profit, freight and everything and the price that they claim is not more than Rs. 77 delivered at the golahs. We find that prices have been very much higher. What can we suppose except that somebody has been profiteering. It is for you to explain to us how this came about.

My colleague reminds me that there is one point on which I must draw your attention. You must tell us precisely what assistance is required and what form it should take. There are two principal ways; of course there may be other ways. One is the increase in the duty. I think you would agree that though there is nothing to prevent this Board and Government from increasing the duty that is a step which would require very full and careful consideration, especially if it is merely for the assistance of manufacturers in a particular market. If there is a substantial increase in the duty it may affect prices all over eventually. Secondly when we have proposed the imposition of a duty in important industries we have safeguarded the Indian industry against the manipulation of prices or fluctuations in prices of imported articles by providing that if the Government is satisfied that the protection given is becoming ineffective by reason of the foreign article being imported at prices below that which we have taken into account, the additional duty may be imposed but it is a matter of very great difficulty in an article like salt to make such a provision. But you may say we may give a bounty. It is quite possible that Government may give you bounty but the resources of the Government are not unlimited. It has got to find the money which must come in some way from the general revenues and it must be a definite charge for a definite period. Supposing we recommend a bounty of say one anna a maund—just by way of illustration—and if the price has dropped by 5 annas a maund what is the Government to do. Is the Government to increase the bounty to 5 annas? The liability of Government becomes unlimited in that way. If you are proposing a bounty and if that is the scheme you are putting forward you must tell us how Government is to find the money, what it is going to cost, etc. I think that it would be just as well for those who ask for such assistance to think these matters out and let us have their opinions.

I may tell you one other thing which has struck me. It is specially for manufacturers in Aden, Kathiawar and Karachi. You have to depend on cheap freights. Government may say 'we don't want to incur any direct additional expenditure by way of bounty but we are the owners of railways. We may so arrange that rail freights may be reduced'. This may be a charge on the general revenues or the railways themselves may take the view that in their own interests it is necessary to reduce the freight in order to capture the traffic. Government need do nothing but the railways themselves may come to the rescue. In that case it is very doubtful whether Aden would benefit by this arrangement but Aden can have no reason to complain because no distinction would be made by Government or the railways. Government may say all right or the railways would say 'we are going to get this additional traffic of half a million tons, which we do not get now. We will reduce the freight which would enable a manufacturer situated somewhere here

to get into that market '. It is not impossible that those ports which depend on sea freight may not benefit at all unless the steamship companies also reduce their freight but the steamship companies cannot help you as much as the railway companies can because sea freights are not so high as rail freights so that I am pointing out that, whatever proposal you may put forward—whether it is a bounty or duty—you must realise that there is another way in which difficulties may be created against yourselves. In such a case what course do you suggest that the Board should adopt. I think, Mr. Gould, that the Salt Importers Association would represent all the business practically in Calcutta.

Mr. Gould.—Yes.

President.—As regards Bombay: The Bombay manufacturers have also put forward a claim that they can produce this amount of salt. I wish to know whether there is any Association in Bombay corresponding to the Salt Importers Association in Calcutta which can give us this information and if not who is going to give us this information.

Mr. Lalljee.—There is no Association in Bombay.

President.—I want the evidence of wholesale dealers who deal with salt after it passes the hands of the manufacturers.

Sir Vasantrao.—There are only three wholesale dealers—

Khan Bahadur Bhiandiwala.

Sir Mehta.

Mohamed Ebrahim Mohamed Jaffar.

Dr. Matthai.—They are manufacturers too, are they?

Sir Vasantrao.—They are all manufacturers.

President.—Do you think these three gentlemen will be sufficient representatives of the whole business?

Mr. Lalljee.—Yes, so far as the Calcutta shipments are concerned.

President.—We want to ascertain what the prices are in Bombay of Bombay salt.

Mr. Lalljee.—Yesterday I was asked by the Secretary of the Indian Merchants' Chamber to submit several names.

President.—But we cannot examine 15 or 20 people.

Mr. Lalljee.—That list of the 15 gentlemen that we gave comprises of three blocks. There are three gentlemen who represent the shipping of Bombay Salt to the Malabar coast, three who represent people selling Bombay salt at Khandesh, three people representing people selling salt in Hyderabad and so on. Unfortunately I don't remember the classification.

Dr. Matthai.—These sections of the trade are different from one another?

Mr. Lalljee.—Yes.

President.—Sir Vasantrao, will you please tell my Secretary what witnesses should be called in to give evidence?

Sir Vasantrao.—I will.

President.—And then we shall ask them to appear in groups if they wish to but they must have one spokesman.

Mr. Lalljee.—With regard to the Salt Manufacturers Association so far as the sales are concerned the Association as such will give you that information. So far as manufactures are concerned, there are two parts. Those representing Aden will give you information as regards Aden. So far as manufacture is concerned I don't think the Association as a whole will be able to give you information for all the salt manufacturers.

President.—We don't expect the Association to do it. I think it would be advisable for individual manufacturers to come forward and make better arrangements for their representation. You represent the Italian works, Mr. Gould?

Mr. Gould.—Yes.

President.—I think it would be better for them to make adequate arrangements for its representation.

Mr. Gould.—Can you give me some idea when they would be required to appear in Calcutta?

President.—It will be somewhere about the end of January or beginning of February. If it is February it may be in Calcutta.

Mr. Gould.—Would you like to examine them up in Aden when you go there?

President.—I don't think so. You can tell them that the date will be about the end of January and in the meantime they must answer the questionnaire. I hope you are not claiming that this information should be treated as confidential, Mr. Lalljee.

Mr. Lalljee.—So far as I am concerned I don't want to keep anything confidential but this much I will say and that is that I should like the information to be published after all the evidences have been taken.

President.—What is the point?

Mr. Lalljee.—The point is that one who gives evidence in the first instance is subject to be criticised by others while he does not get an opportunity to criticise the others.

President.—We are the final critics so far as you are concerned!

Mr. Lalljee.—We will give you all the information in the first instance but would like you to publish it after you have finished all the evidence.

President.—But these proceedings are open to the Press. If a man comes here and sits and makes a note I can't ask him to leave.

Mr. Gould.—Will you give us an opportunity to explain a second time if there is need for it?

President.—We always do so. Obviously the Board cannot examine every applicant simultaneously. I may tell you, Mr. Gould, that we expect all applicants to give us all the information that we require in public.

Mr. Gould.—There is just one point. As regards the manufacture and production of salt those are points on which the proprietors would be able to give you all the evidence you require.

President.—That is right, but you must tell the proprietors that the Board nearly always insist upon applicants giving evidence in public and nothing is kept confidential except in very exceptional circumstances.

Mr. Mathias.—The question of costs will be examined in public.

Mr. Gould.—That they will be able to give you, but as regards everything in Calcutta, selling and this sort of thing, I shall be of greater help to you than they.

President.—We have always insisted upon all figures being made public. We have of course made exceptions but they have been made rather in the case of people who are not interested in manufacture, but parties who are interested in the enquiry are expected to give their evidence in public including evidence as regards their costs.

The Salt Importers Association of Bengal.

Mr. Gould.—I think you will find this note that I have prepared of interest. I think it will be useful to have it on record. I will read this with your permission—

With your permission I will touch upon a matter which although not directly within the scope of this enquiry has, in my opinion, an important bearing on the question at issue. It is "The Salt Importers Association of Bengal". This Association was formed three years ago with the object of (1) preventing violent fluctuations in prices whereby speculation is stimulated and (2) maintaining prices at a remunerative level by regulating supply in

accordance with demand. I can state straightaway that it was never intended that this Association should go out of its way to smother or in any way hinder the development of salt manufacture in India. On the contrary when the formation of the Association was under contemplation it was realized that if and when the Association became a *fait accompli* the Indian Salt Industry would receive an impetus rather than the reverse and the fact that that did not prevent the Association from coming into being may, I think, be accepted as an earnest of its good-will towards the Indian Salt Industry. If this be admitted then I consider I would be justified in stating that it is more within than without the bounds of probability that if and when an Indian Salt Company had attained a producing capacity and acquired a footing in the Bengal Market as in the opinion of the members of the Association entitled it to a fixed quota of the yearly trade it would be invited to join the Association. Whenwhile the latter's policy in relation to all Indian Companies would be one of ' live and let live '.

It will be conceded that so long as the Association is able to maintain prices at a remunerative level for its members it will *ipso facto* be extending to Indian Salt Companies a potential protection and this, in my opinion, is what they really need during the period that must necessarily elapse before they become eligible for membership.

President.—Those are precisely the points on which we think the Association has not fulfilled its purpose, namely regulation of prices.

Mr. Gould.—That was a misconception.

President.—Those were the points I was putting to you, that prices must be stabilized at a reasonable level and that there should be no manipulation of prices. It is purely speculation which as the figures suggest has caused such serious fluctuations.

Mr. Gould.—I think our object is to stabilize prices and we will be able to prove that. Wherever fluctuations have taken place we are prepared to explain the cause.

President.—This idea of quota that you suggest in your note is a more difficult proposition than appears at first sight. It means this that you have got to give up your foreign constituents and to admit the Indian manufacturer. That is the point. There can be no question of quota because one or the other side has to go out in that case. Is the Association prepared to give up these foreign imports entirely?

Mr. Gould.—I will just mention one thing. Since the Association was formed about 80,000 tons of non-association salt is coming to Calcutta. Of course that includes Little Aden, Hajeebhoy Lalljee, Okha, Tunis, Roumania and so on. This is for a period of 12 months.

President.—Supposing we came to the conclusion that all salt has got to be manufactured in India and that except for very special tastes no foreign salt is to come in—that is merely for the purpose of discussion—what would be your position? Are you going to say to your foreign constituents " We cannot sell your salt because it is the policy of the Government of India to encourage Indian salt " and will they then say " if you are going to do that we will stand out "? When you say you are not going to market their salt, they may reply that they will take their chance and compete. In that case what position will your Association take up? You can think over that and give me an answer when we meet next time.

Mr. Lalljee.—I may tell you one thing. In our Association agreement we have provided a clause that as soon as Government wants to do anything for the Indian industry it will be absolutely free for any member to be out of the Association.

President.—That is another point. We start with this proposition for the sake of argument that it is possible for Bengal to have Indian salt. This Association so far has been marketing foreign salt and some Aden salt. The Association has got to decide whether it is going to give up the importation of foreign salt. That is one point. Then, supposing it decides to do so, is

there any security that the foreign manufacturer will stand out and say "I am prepared to lose the market"?

Mr. Lalljee.—No.

President.—Supposing we fixed the assistance at 3 annas a maund and then the foreign manufacturer says "I am going to reduce my price by 6 annas a maund", what is the Association going to do?

Mr. Gould.—What would happen automatically when India became an actual producer is that room would have to be found for her if she was able to produce the quality acceptable to the market. Amongst us there are outright foreign salts: we are Imperial and we are foreign. If we found that there was no room for everybody possibly steps would have to be considered of reducing the imports of certain salts by fixing a certain figure.

President.—I may tell you that it has to go out, supposing Government decides that Bengal and the rest of India shall have only Indian salt. In that case there is no question about it. There are two stages: the first stage is the transitional stage, that is to say when Indian salt begins to increase its production. That would be the most critical period. You cannot serve two masters. Supposing your foreign constituent says "this salt is coming in, we must see that it doesn't" are you then prepared to say to the foreign manufacturer that he must go out?

Mr. Gould.—We shall come to the parting of the ways with the Continent. As I said we are not here to smother the Indian industry, but we are here to prevent as much as possible outsiders who never came to India before.

President.—I am prepared to say that you have the best of intentions but I want to see how you can make that effective. What is the attitude you are going to adopt during the transitional stage. As more and more Indian salt is manufactured are you going to allow it to expand without competition from foreign manufactures? I will put the case to you from the foreign manufacturers point of view. He says "here is a Government scheme which makes such and such provision; can we get behind it? We are going to lose all our market; are we going to stand out and allow the market to slip out of our hands"? If he does that well and good; but that is not likely. He may say "we will compete" and you are the medium through whom he is going to compete.

Mr. Gould.—Once they are admitted into the Association, they are allowed a quota.

Dr. Matthai.—When did they come in?

Mr. Gould.—Once they are admitted into the Association, they are allowed a quota. We offered them 2 per cent.

President.—Any scheme that we put forward ought to be such that we do our best to see that the production is expedited.

Mr. Gould.—I only mention this as something we have in view.

President.—The whole point is that the Association ought to be able to tell us what it is going to do during the transitional period.

Mr. Lalljee.—I can tell you that the Association was formed for three years. Now there is only one year more and the position has entirely changed. It would be quite open for all the members to decide then. There may be difference of opinion and it may be that this Association may not last. Within the last 15 years Aden has made up nearly 200,000 tons. Formerly it was 100,000 tons. They have given way to Aden as she was getting more and more production. If the same policy is adopted, it would be all right.

Dr. Matthai.—When the conference started Aden had been producing 200,000 tons.

Mr. Gould.—Yes.

Dr. Matthai.—I don't think there was any increase in the production since this conference.

Mr. Gould.—No.

President.—So far as this Board is concerned it is not always opposed to some sort of organisation which leads to stability of prices and eliminates what may be regarded now-a-days as uneconomic competition. But if the Association enters into uneconomic competition instead of stabilising prices, tampers with them from time to time to suit any particular line of policy that it may be necessary for it to adopt at that particular moment. That is the danger. Circumstances may arise which may compel you to adopt a different course. If you adopt that course, you hit the protected industry.

Dr. Matthai.—I don't know if you have seen the representations we have received from some of the Indian works. There is a definite allegation that when an Indian shipment was sent to Calcutta last year or the year before, there was an attempt by the conference to cut prices with a view to keeping them out. There is an allegation of that kind and I think as the President on behalf of the Board has suggested that if measures of that kind are going to be taken by the conference then of course it would become a serious public question which you would have to face.

President.—As I was trying to explain to you a little while ago it may be simply this that the foreign manufacturer says " I am not going to vacate this market without a fight. I will remain in this market till the last moment and then go out ". In such a case the Association ought to define its attitude and whether it can really be able on the one hand to prevent this foreign manufacturer coming in and on the other hand to protect the Indian industry without external assistance. These are problems.

Mr. Gould.—If it ever came to that, there would be a break and there might be formed a combination of another kind.

President.—Meanwhile what happens to salt prices?

Mr. Gould.—I am just seeing the possibilities ahead.

President.—That is the point. You have to face this situation some day. We will put it this way. The Association really wants to support the Indian industry, but your constituents say " No. We are a powerful body. We have made enough profits in the past. We shall give you more commission and you push your goods instead of these ". What is the Association going to do? You are not sufficiently well organised to say that you will take care of these. Your members might say " They are offering us more profit and let us kill the Indian industry ". That is the sort of situation I have in mind and also my colleagues have.

Mr. Gould.—The remedy rests with Government.

Mr. Mathias.—What remedy do you suggest?

Mr. Gould.—To differentiate between Indian and foreign.

Mr. Mathias.—By way of duty?

Mr. Gould.—By way of restriction on the imports.

President.—Then we are faced with this situation that if the Association and the Indian manufacturer cannot escape this peril, Government might say " Would it not be better for us to start on this at once so that we see that the prices are stabilised from the beginning, that no speculation takes place and that the Indian industry is allowed to be established ". It would be an argument for the Government to step in if it chose.

Mr. Gould.—You are assuming that the salt will be there to supply the market. I am speaking of the time before they can give it to the market.

President.—The whole point is this: a certain quantity of salt has to be found either Indian or foreign. Government might say " we shall control the imports and regulate the supply in such a way that prices are maintained at a certain level ". It can either import itself or authorise an Association or a Company to import the necessary quantity which would make good whatever India cannot supply for the time being. What have you to say to that? It would be simpler for Government to say " supposing India requires 500,000 tons. India produces 100,000 tons and the balance of 400,000 tons is brought from outside countries to keep up to the level of the demand ".

Mr. Gould.—Aden is supplying 40 per cent. now.

President.—It doesn't matter where it brings the salt from. Would it not be simpler for the Government to start with that at once instead of taking its chance of the Association and the foreign importer competing against the Indian industry. These are points for you to consider. We shall put them to you when you are ready. In the meanwhile I am trying to suggest to you the difficulties that are in the way.

I don't think any practical purpose would be served by our examining you Mr. Lalljee, on behalf of the Little Aden Salt Works, because on the general questions we shall examine you, but as regards the individual manufacturer, he must appear himself. I think you must draw their attention to this. I understand that two of them are in the conference and two are out.

Mr. Lalljee.—Yes. I have already written to them that they should come themselves and give evidence before the Board.

President.—We can't allow one set of conflicting interests to represent another.

Mr. Lalljee.—I have already written to them, but I haven't heard from them. So far as Hajeebhoy is concerned, I have told him that he must appear himself.

Mr. Gould.—As regards our works I shall write and ask one of the principals to be in Bombay in the second half of January. In the meanwhile we shall ask them to reply to the questionnaire.

President.—Will you be able to give information about freights and so on?

Mr. Gould.—Yes.

President.—As regads freights we may have to go back to war time, because that is an important factor. That is what Aden has got to consider. All parts of British India are entitled to the same protection in times of war, but one part may be isolated from another, that is to say it is not impossible that Aden may be isolated. Supposing there was war in these parts, in that case we have got to take into account the question of freights and its availability, is that not so?

Mr. Lalljee.—Quite right.

President.—Supposing during the war India had been in a position to supply all the salts required, I doubt very much whether the price could have been fixed as high as Rs. 250.

President.—Are there any freight brokers here?

Mr. Lalljee.—Yes, Mr. Jehangir Dalal.

President.—Have you got a record of freights kept over a period of years?

Mr Dalal.—I have got a record of all freights for about 6 to 8 years.

President.—We might examine you at some later date. Supposing we want 500,000 tons more freight, can we get it?

Mr. Lalljee.—Yes.

Mr. Gould.—May I put in this statement with regard to the founding of the Aden Salt Works?

President.—Yes.

INDO-ADEN SALT WORKS, ADEN.

Evidence of Mr. HOOSEINBHOY A. LALLJEE, recorded at Bombay on Tuesday, the 12th November, 1929.

President.—I take it Mr. Hosseinbhoy Lalljee that you don't wish anything to be treated as confidential in your answers to questionnaire.

Mr. Lalljee.—No.

Production.

President.—You manufacture about 75,000 tons a year.

Mr. Lalljee.—Yes.

Dr. Matthai.—That is the highest figure you have attained so far.

Mr. Lalljee.—Yes, but I may tell you that owing to flood in 1927 we had to cut it down to 50,000 tons. Every day we are increasing our production. Had there been no flood, we would have made about a lakh of tons, because we have got good lands.

Dr. Matthai.—Do you mean that the flood has caused permanent damage?

Mr. Lalljee.—It did for the time being.

Mr. Mathias.—Would you be able to increase your output without any additional cost?

Mr. Lalljee.—With very little expenditure we could make a lakh of tons and further more. We have to put up a bund more for which we have to incur about Rs. 1,00,000.

Mr. Mathias.—After you have incurred that expenditure would you still be able to produce at the same cost as at present?

Mr. Lalljee.—At less cost than at present.

President.—You think you can produce up to 1¼ lakhs.

Mr. Lalljee.—Yes.

President.—Is that your maximum limit?

Mr. Lalljee.—I have put that limit. I don't want to produce more than that. I know that the other two salt works are increasing their production. Taking the size of our land we can produce 150,000 tons easily.

President.—And the Italian Works?

Mr. Lalljee.—At present they produce about 120,000 they can also if they like after spending a little more produce about 150,000.

President.—That is 300,000 tons between you to take.

Mr. Lalljee.—Yes, if we both produce more.

President.—What is left for Continental India?

Mr. Lalljee.—Only 200,000 tons if Burma is excluded otherwise 300,000 tons.

President.—I think you would be raising a hornet's nest if the Continent of India felt that they were going to be left out. You must remember that there is an alternative source of supply which is Khewra and supposing Khewra is able to produce about 100,000 tons more, so far as the rest of India is concerned, there is very little prospect of this class of salt being manufactured if you increase your output by 100 per cent.

Mr. Lalljee.—I am not going to produce more than 125,000 tons.

President.—What about the smaller people, the Little Aden and others?

Mr. Lalljee.—I don't want to make any distinction. I have been at Aden and as far as I am informed the salt works belonging to Hajeebhoy may not be able to produce without further cost more than 50,000 to 60,000

tons. I can at present put it at 40,000 to 50,000 tons. The land in some parts is said to be sandy and therefore little porous. Even their present cost is I think heavier than ours and it is because the Calcutta rates are steady that they have been encouraged to send their salt.

Mr. Mathias.—What about the other salt works?

Mr. Lalljee.—About Little Aden Salt Works there is just some such difficulty.

President.—The whole point is this: it may be possible to get over the soil difficulty by having an artificial bottom surface.

Mr. Lalljee.—It would cost much. There is one works which has already got this.

Dr. Matthai.—The trouble with regard to the other works is the soil. What is the trouble with the soil?

Mr. Lalljee.—It is sandy and therefore a little porous. Just as the Chairman pointed out if there is to be artificial bottom surface, the cost would go up.

President.—Not very much. By the increased output the cost would go down.

Mr. Lalljee.—If you will kindly study the figures at which the salt was formerly sold and the price at which Aden salt could be sold, you will find that when we first entered the market, 18 years back, it was only 18 per cent. Now it is 42 per cent. and I don't think that they could really make it at a much cheaper price than at present.

President.—That I don't know. You said that the limiting factor was the land and it was porous and sandy and I am trying to point out to you that it may be possible for them to get over this defect in soil by having artificial surfaces and in that case they can produce 50,000 tons.

Mr. Lalljee.—There is one other difficulty and that is their land is on nigher level and they have to pump the water which is costly. Our land is not on a higher level. When you go there you will find that we have a reservoir.

Mr. Mathias.—What is the distance they have got to pump?

Mr. Lalljee.—The distance they have to pump is nearly 2,000 ft.

President.—That is not very much. What is the lift?

Mr. Lalljee.—Lift must be about 18 ft. We are comparing like this: if one gentleman next to me cannot produce at my cost, probably he cannot increase his production.

Dr. Matthai.—Are they farther away from the harbour than you are?

Mr. Lalljee.—They are only 100 ft. away from my salt works boundary. I can say this from our experience that there was sand in our land on that side and so that portion we never developed. They took the land just next to it. We had surveyed those lands and we found that we could not use it economically.

Mr. Mathias.—You say that you cannot use all your land economically.

Mr. Lalljee.—Yes. That is why I have not put my production at a much higher figure. We have got 900 acres. We can develop up to 800 acres.

Mr. Mathias.—100 acres you will have to leave.

Mr. Lalljee.—Yes.

Mr. Mathias.—But you are confident that if the Little Aden Salt Works or the Hajeebhoy Salt Works increased their output by 20,000 tons, you would be able to undersell them, that is to say, if they increased their output and you increased your output to 1,20,000, you would be able to sell your salt below theirs and therefore it would not be a good proposition for them.

Mr. Lalljee.—Yes. But if they produce fairly large quantity then there would not be much difference in cost.

Mr. Mathias.—Even now it is more expensive for them to manufacture than for you.

Mr. Lalljee.—Yes, because we are producing large quantity.

President.—I am just trying to put the case as it appears to me. There is great deal of feeling in India as you know that India must produce its own salt. As I explained to you the other day according to the terms of reference Aden is part of India. Still there is a sentiment in this country that the Continent of India must produce. If you raise this question of increasing your output, it means that practically India is left out in the cold.

Mr. Lalljee.—At present Calcutta and Burma require nearly 5,50,000.

President.—Burma is a separate problem: at present it takes about 60,000 tons. That leaves 500,000 tons of which a certain quantity would be very superior table salt. You are already supplying 220,000 tons. You want to go up to 300,000 tons or more. If the other people increase their output it would be 350,000 tons. That leaves 150,000 tons. Khewra can produce about 100,000 tons. What is left for Okha, Karachi and other places? I want to know what you have to say as regards that.

Mr. Lalljee.—The question arises in this way that you will have to take into consideration the costs.

President.—If the Indian costs are higher than yours, then of course they must take their chance. Supposing their costs are lower than yours and also their cost of marketing is very low, won't they have some grievance if they are shut out entirely?

Mr. Mathias.—If they are not given a fair chance to start with.

Mr. Lalljee.—I am agreeable that some portion should be given to them but not at a higher price.

President.—Supposing the price is the same. By the price I mean the total cost.

Mr. Lalljee.—That is what I say.

President.—The price including the cost of transport and everything to the nearest market. Supposing they are able to show with some little encouragement they can manufacture, what is your proposal?

Mr. Lalljee.—I am prepared that they should be given.

President.—There is nothing left. What are we to give them?

Mr. Lalljee.—Whatever the Tariff Board lays down as the basis we will follow. As regards Hajee Salt Works and Palonji Salt Works, there is a difference of opinion even among the experts as to what their position would be. In the report they say they can turn out 1½ lakhs. Mr. Palonji says that if sufficient encouragement is given to him, he can turn out 1,00,000. But then the question is how much encouragement you are going to give.

Mr. Mathias.—You mean provided the price guaranteed is sufficiently high.

Mr. Lalljee.—It comes to that. At present my salt is the cheapest in Calcutta.

President.—What it comes to is this: if they get a price of Rs. 80 c.i.f. then they can produce all this quantity.

Mr. Lalljee.—Almost entirely. That is why I put them down to 50,000 to 60,000.

President.—We will put it this way. They don't require any more temporary assistance than the Indian salt works. Then they say " with that assistance we are ready to turn out the whole quantity ". India says " why should we do for the benefit of Aden which is not India though of course it is part of British India ".

Mr. Lalljee.—The answer is quite simple. Aden is not benefited in any way. All the benefit that accrues from the salt works at Aden is that of India, 300 persons being employed as cooly labour. That is all the advantage Aden gets out of the salt works.

War prices.

President.—It is not a question of employment. It is a question of national sentiment. They remember what happened to them during the war, what Aden did and what the rest of the salt producers did. They say "we had to pay Rs. 250 in the past. We want to insure ourselves against that and therefore we would suggest that Aden should not be given a preponderating share or any share.

Mr. Lalljee.—I am just going to put before the Board the freight rates which were in force during the war. During the war steamers were provided by the Admiralty. We were not allowed to charter and the prices of salt went up for a little while owing to stipulation, but the Government stepped in.

President.—Rs. 250 was the rate fixed.

Mr. Lalljee.—The freight rate was Rs. 29 per ton. They were all Government boats. That freight rate remained in force only for a couple of months.

President.—Government itself fixed Rs. 250.

Mr. Lalljee.—They did because at that time there was only Aden salt and our salt was cornered by the merchants. The prices went up because merchants began to corner salt and the Aden salt was the only available salt.

President.—It does not matter who did it.

Mr. Lalljee.—It was not that they had to pay so much for the Aden salt.

President.—India might say that "during the war we had to pay Rs. 250 or whatever it was. It was a very exorbitant price. Are we going to have Aden which may do the same thing again if a war broke out".

Mr. Lalljee.—In the war, every commodity was controlled.

President.—If salt was produced in India, the price would not have risen to Rs. 250 whatever happened. I am trying to put their case to you. It is a case which you have to meet.

Mr. Mathias.—You say that this high price lasted only a short time. But I see from this chart that the price varied between Rs. 250 and Rs. 240 during the whole of 1917.

Mr. Lalljee.—I see the rate in 1918 ranged between Rs. 200 and Rs. 170.

Mr. Mathias.—In 1917?

Mr. Lalljee.—From Rs. 160 it went up to Rs. 400. That was only for a few days. The average rate was Rs. 160 to Rs. 227.

President.—It never dropped below Rs. 130 until after 1920.

Mr. Lalljee.—Quite right, because freight rates were high.

President.—It varied between Rs. 250 and Rs. 130.

Mr. Lalljee.—That was what happened.

Mr. Mathias.—It stood between Rs. 280 and Rs. 240 quite a long time.

Mr. Lalljee.—We had not had Rs. 280 at all.

Mr. Mathias.—It might be Rs. 270 or about that.

President.—If you take from 1919, it rose from Rs. 140 to Rs. 270 in round figures. It did not come below Rs. 130 until the end of 1920 and it went on dropping. Then again it rose in 1926.

Mr. Lalljee.—It rose again in 1927.

President.—Yes, it did. For six years from 1914 to 1920 they paid a price of at least Rs. 130 and part of the time over Rs. 200 and Rs. 250.

Mr. Lalljee.—That was for a short time.

President.—More than that—for nearly two years.

Mr. Lalljee.—I wish to put in the freight rates which would give you some idea besides the labour and other charges at Aden had also gone up and also in Calcutta.

President.—What is the highest freight rate that you paid?

Mr. Lalljee.—In 1913 our freight rate was Rs. 6-8-0, before 1913 Rs. 4-8-0 to Rs. 5; in 1914, Rs. 6-4-0, in 1915, Rs. 13-8-0, in 1916, Rs. 26, Rs. 25, Rs. 22, Rs. 29 and Rs. 28.

President.—It does not account for the whole of the increase.

Mr. Lalljee.—The average rate for 1916, 1917 and 1918 was above normal; it was something like Rs. 20.

President.—That is nothing.

Mr. Lalljee.—Rs. 20 means Rs. 75. You must deduct that freight.

President.—What was the pre-war price?

Mr. Lalljee.—If you ask me that question, I don't want to say much. But I may tell you frankly that when we started the rate was Rs. 65 and as soon as our salt came into the market, the price came down to Rs. 32. We had to fight.

President.—Whom.

Mr. Lalljee.—The existing factories.

Mr. Mathias.—Take the price of Rs. 60 per 100 maunds. With your freight at Rs. 5, it means a deduction of something over Rs. 20. That leaves you Rs. 40 excluding freight, and that would justify on the same calculations a price *ex*-ship of Rs. 120 during the war time.

Mr. Lalljee.—It was like this. During the war there was scarcity and everybody made a little money. Coal was sold at Rs. 80 a ton and we had been importing coal. The Rangoon rice was Rs. 20 and sugar that was selling at 15 shillings was sold at 85 shillings. Another thing to be remembered is that we have paid very heavily for it during the war and even after the war. If we had been able to keep that money we would not have bothered about the Tariff Board. During the war our salt works were raided twice by the Turks and often were we in trouble for labour as our own forces required them.

President.—I don't dispute that prices were very high all round.

Mr. Lalljee.—Over and above that, now our charges are nearly Rs. 10. At that time the charges came to Rs. 21. The boat hire and everything had gone up, and since then the cost has been high.

President.—There was plenty of margin.

Mr. Lalljee.—There was a little money making during the war but we have lost also very heavily after the war.

President.—Just think over how you are going to conciliate the salt interests of the continent of India. Remembering what you did during the war, they might say " we don't want the same thing to occur again, if anything happens to the freight market or if anything goes wrong ". Therefore you have to give an answer.

Mr. Lalljee.—I am entirely in your hands.

President.—I am asking you.

Mr. Lalljee.—What could I suggest? If it is your intention or the intention of Government to allow a certain quota to Aden, we are prepared to agree to any reasonable scheme.

President.—What you fancy is your quota rate for yourself?

Mr. Lalljee.—I have said that I have put down 1,20,000 tons?

President.—But you have not produced that.

Mr. Lalljee.—It is a question of one day.

President.—How?

Mr. Lalljee.—According to our present arrangements we have to increase our production rather slowly.

President.—Let me ask you one question. Supposing Government does nothing and there is no case for assistance: under this arrangement with the Conference of which you are a member can you go up to 1,25,000 tons?

Mr. Lalljee.—Yes.

President.—When?

Mr. Lalljee.—Within 5 years.

President.—How do you know because the Conference have to give other people their quota?

Mr. Lalljee.—The question is like this. We have two kinds of salt. One is British Empire salt and the other is foreign salt. The quantity of entirely foreign salt is at present more than that of the British Empire salt.

President.—That is about 2 to 3.

Mr. Lalljee.—295 against 350 lakhs.

President.—About 4 to 5.

Dr. Matthai.—May I know what you call British Empire salt? Liverpool and Aden salt?

Mr. Lalljee.—Liverpool, Aden and Okha.

Dr. Matthai.—Okha is very little.

Mr. Lalljee.—Yes.

Dr. Matthai.—All others are non-British salt.

Mr. Lalljee.—Yes.

President.—Supposing there is no increase in the demand why should they allow you to increase your output?

Mr. Lalljee.—In their own countries they do not allow foreign salt. That is why I joined the Conference. In 1911 and 1912 they competed with me. When I joined the Conference I was given to understand that as the British Empire salt came in, those people must make room for it.

Importers' Association.

Mr. Mathias.—May I ask whether the first principle of this Association is that the Indian market should be reserved for the Empire salt including Aden? Is that the first principle?

Mr. Lalljee.—Nothing is laid down definitely like that.

Dr. Matthai.—What I do not understand is this. You say that this thing happened in 1910.

Mr. Lalljee.—Yes, and in 1911.

Dr. Matthai.—But your Conference started only 3 years ago.

Mr. Lalljee.—There were others previous to that, but they all broke down.

Mr. Mathias.—But practically they consisted of importers in Calcutta.

Mr. Lalljee.—Yes. Portsaid salt was not coming in in large quantities.

Mr. Mathias.—Is it a fact that the Association has been in force in one form or another since 1910, but according as the imports have changed and the importers have changed, it was re-constituted.

Mr. Lalljee.—Only for the last three years we have a regular Conference. Previous to that we had private meetings of the Association.

Mr. Mathias.—Formal or informal, since 1910, there has been some authority which controlled or attempted to control salt.

Mr. Lalljee.—In 1910, we were all fighting. Only in 1911 we formed a combine.

Mr. Mathias.—Was the object the same as the present one?

Mr. Lalljee.—No.

Mr. Mathias.—What was the object then?

Mr. Lalljee.—No new salt ought to be allowed to come in.

Mr. Mathias.—In what way is it different?

Mr. Lalljee.—At present no Indian salt can be prohibited.

Mr. Mathias.—The reduction of prices may have that effect.

Mr. Lalljee.—What our object is you can gather from the proceedings (handed in) which I received yesterday from Calcutta.

Mr. Mathias.—This combine or conference in 1910 or 1911 was to maintain prices.

Mr. Lalljee.—Yes. There is no regular memorandum or any such thing. The Secretary of the Bengal Chamber of Commerce is the secretary of the present association and the business is done by votes.

Mr. Mathias.—The present combine is a formal combine and the other one an informal combine. But in both cases they had a decided effect on the price market.

Mr. Lalljee.—Yes.

President.—What I am trying to point out is this. In the past six years the imports from Aden have gone up only from 186,000 to 204,000 tons. That is the rate of progress about 3,000 tons a year on an average. How do you say that your quota would be increased by 50,000 tons in five years time?

Mr. Lalljee.—That is our understanding.

President.—With whom?

Mr. Lalljee.—With our people.

President.—I do not know of any understanding. How are you going to enforce the understanding?

Mr. Lalljee.—If they do not do so, then there will be competition and the fittest will survive.

Mr. Mathias.—You have some undertaking from the Conference.

Mr. Lalljee.—Yes, because Conference is not against Indian.

President.—If the combine goes, what happens.

Mr. Lalljee.—We will fight amongst ourselves and the fittest survive.

Mr. Lalljee.—Formerly we had three combines to fight. Now we are in this combine and we are going on well since the last three years, they do not fight against Indian interest.

Mr. Mathias.—You said to Sir Padamji just now that if the combine failed you would fight. From this I rather gathered that you yould not very strongly object to the combine disappearing and that under a system of free trade you would be able to keep up your position in the Calcutta market?

Mr. Lalljee.—That is so, and there would be no alternative left for me but to do so and take my chance.

Mr. Mathias.—So that you are not very much in favour of any assistance to the industry, so far as your own personal position is concerned?

Mr. Lalljee.—I say my countrymen must have a chance, including myself.

Mr. Mathias.—So far as economic grounds are concerned you would be quite prepared to fight for the Calcutta market and keep a portion of it?

Mr. Lalljee.—If my countrymen will be benefited——.

Mr. Mathias.—Putting aside the sentimental aspect, from the hard business point of view it would suit you very well if the combine were to disappear and you were to fight for the Calcutta market: your efficiency is so great that you would be able to maintain your share?

Mr. Lalljee.—I don't think we can reduce the price too much.

Mr. Mathias.—I am not talking of reducing prices.

Mr. Lalljee.—It is no good my producing 150,000 tons and getting the same value which I got for 100,000 tons; therefore I would not go to the length of producing more salt and get as much as I am getting at present.

President.—As you know the tendency of our countrymen is that we never combine to protect ourselves, we rather drown; therefore it is hopeless to consider any question of a quota unless the manufacturers themselves combine.

Mr. Lalljee.—So far as I am concerned I am quite prepared to do it.

President.—You are starting with a very high figure. If the Aden manufacturers manufacture all this quantity then India is left out. Therefore even supposing we agreed to the quotas, I doubt very much if the Assembly would agree to it.

Mr. Lalljee.—I don't definitely stick to my 120,000 tons.

President.—I am quite prepared to hear what you have got to say and I want your point of view.

Dr. Matthai.—Your average production of the past five years is a reasonable quota for you, is it not?

Mr. Lalljee.—I can't agree there because we had two floods during this period. On the contrary there is a feeling that if production is to be reduced then the Italian Salt Works being what they are, they ought to reduce their quota, if other manufacturers at Aden are made to restrict the quantity of Aden Salt.

President.—There is this thing also about Aden. So far as we are concerned we have expressed our views but you must remember this that there are these Italian manufacturers there. Supposing we made no distinction between Aden and India—as you know there is a very strong feeling which is shared by you also that foreign capital should not be put on the same footing as Indian. Supposing we assumed your own line of argument, then there is likely to be trouble.

Mr. Lalljee.—I don't wish to go into that at all, this is for you to decide.

President.—Even in British India the question has been raised as between Indian and non-Indian capital.

Mr. Lalljee.—If this is pointed out to the Italian Works, they will realise the difficulty.

President.—If the question of quotas came in and you insisted on your share and the Italian on his share and the rest on theirs we would rather say it is not beneficial to the continent of India because these people all want their shares.

Mr. Lalljee.—What I contend, and what has been contended by many vested interests in India, is that Aden has been built by us, we have sunk our capital there ——.

President.—The final authority is the Government of India and the Legislature and if the Legislature does not agree to this then what is your position?

Mr. Lalljee.—If the Legislature does nothing for us we can't do anything; we would merely protest.

Mr. Mathias.—That is just what we should like to know, what your protest would be.

Mr. Lalljee.—My protest would be exactly what it was when Aden was being transferred to the Colonial Government. In the like manner we would say. In Aden we have put in crores of rupees. I will put in the protest that in that case the vested interest of foreigners in India must be removed.

President.—No doubt that would be your contention. There are alternative proposals and it is a pity you were not present here when those points were discussed when the Okha Salt Works were examined. The point we considered was this. It is admitted that there have been these

very violent fluctuations in the price of salt: Sometimes they may have been due to economic causes, at other times they have been very largely due to the action of a combine, not necessarily the present Conference. Your habit has been to compete against any newcomer and I think it has been admitted even in this last letter that that has been the cause of the fluctuations. If the fluctuations continue, it will be difficult to protect the industry adequately. Supposing we decided that this salt should be manufactured in India including Aden and we said " All right, give them 3 or 4 annas a maund increased duty or bounty ". Now, as you know these prices came down to Rs. 40 at one time before the war.

Mr. Lalljee.—Rs. 30.

President.—From Rs. 280 to Rs. 30, but taking the present prices the fluctuations have been between Rs. 122 and Rs. 52.

Mr. Lalljee.—Yes.

President.—That means a variation of Rs. 70.

Mr. Lalljee.—Yes, cent per cent.

President.—That means a variation of 9 annas a maund. Supposing this sort of fluctuation continues and these foreign manufacturers make up their mind to fight then the alternative to the Government is that it must increase the assistance. You will admit that will lead to very serious fluctuations in prices of salt from time to time. Therefore this scheme is open to objection. The same thing applies to a bounty because the liability of Government is practically unlimited and therefore it would be advisable to avoid it if possible. The second thing is that our investigation at present is confined to the production of certain qualities of salt which have a market in Bengal and Burma. Supposing the tariff wall was so high that foreign salt was shut out, there is no guarantee that the quality of the salt would be maintained. As you know, in the case of matches what deterioration there was, but it did not matter there. But in the case of salt the Bengali has been used to this class of salt for the last 80 years, and he cannot be expected to give up this salt except under exceptional circumstances and any scheme of protection based on high tariff does not give any guarantee that the quality of the salt will be maintained. Whatever we do we must be able to report that this quality of salt can be produced—not only produced but that the quality will be maintained. High tariff will not produce that result. We have ruled out bounties because Government will not take any indefinite liability. Therefore what we should do is to stabilize the prices. Can that be done except under some organized system of marketing? By tariff you cannot stabilize prices because of the violent fluctuations; you cannot guarantee the quality, and unless there was some control both over prices and over the quality it is very difficult to find a solution. Can you suggest any solution which would guarantee these two things?

Mr. Lalljee.—So far as the quality is concerned, the quality of Liverpool salt ——.

President.—I am not concerned with the Liverpool quality. Supposing Liverpool is ruled out and yours is the quality, where is the guarantee that Okha, or Aden or Karachi would maintain their quality? A Bengali insists on this.

Mr. Lalljee.—If we don't maintain our quality then the foreign salt would begin to come in.

President.—The idea of protection is that foreign salt should be ruled out.

Mr. Lalljee.—I say that if a reasonable help is given which I would put at 2 annas a maund ——.

President.—The foreign importer then reduces his price by 4 annas.

Mr. Lalljee.—He cannot. The present prices do not allow him to reduce it by 4 annas, I mean the prices that are ruling since a year and a half.

President.—There are people who want 4 annas above the present price.

Mr. Lalljee.—I would suggest something to be provided that would induce everybody to produce good salt.

President.—I think there is evidence to suggest that some of the foreign producers have made such big profits that they have fairly big reserves for a contingency like this and if they were to reduce their prices by 4 annas or more what is the remedy?

Mr. Lalljee.—My view is that they cannot reduce any further.

Dr. Matthai.—Supposing protection became effective and all foreign salt was excluded from the country and the whole of the Bengal market was supplied from Okha, Karachi and Aden, is there any possibility of the quality deteriorating?

Mr. Lalljee.—If you give protection you can lay down the quality.

President.—If the Government keep control, it will keep adequate control which will make it more effective. If the quality is to be maintained, you admit that the Government must have some control.

Mr. Lalljee.—Yes, if it is prepared to give sufficient protection.

President.—Government could also control prices.

Mr. Lalljee.—They could. If the public exchequer is going to make a sacrifice, they ought to have control over prices and quality.

President.—What sort of control do you suggest? Do you suggest Government having a monopoly?

Mr. Lalljee.—It would depend upon the amount of subsidy that the Government gives.

President.—There can be no question of subsidy.

Mr. Lalljee.—More or less the difference in duty.

President.—It will control all the imports, let us say all the salt that will be put on the market. It will guarantee the Indian producer a certain price and then they will distribute it in such a way that the price will remain at a reasonable level.

Mr. Lalljee.—It won't allow any foreign salt to enter.

President.—It will say "India requires 500,000 tons of salt. We will make provision for it. We will ask Aden, Karachi and Okha how much they can supply. We will fix their fair selling price". This Board, for instance, will determine all that. Then it will say "Now we can buy 300,000 tons here. We will import 200,000 tons from outside. The imports will diminish". Is that a feasible proposition? You must remember that you have got to protect the industry against the fluctuations in prices and you have got to protect the consumer both against prices and deterioration in quality.

Mr. Lalljee.—It would be something like a scheme that was suggested during the Match enquiry.

President.—This is rather different. To some extent it is like rationalisation. Then no question of quality arose. Supposing you all increase your output and there is over-production, Government is not going to select. Government must say "You tender amongst yourselves. We want 500,000 tons. You are offering one million tons. We don't want as much as one million tons. We are prepared to pay this price. Whoever quotes the lowest price will get it". You are safe from your own statement, aren't you?

Mr. Lalljee.—What I would suggest is this: a very small subsidy or very small difference in duty may be put so far as the Indian manufacturer is concerned.

President.—There is no question of any duty.

Mr. Lalljee.—I am not in favour of allowing the Government to have control and do business.

President.—Not necessarily a Government. It may be a Company to which monopoly can be given.

Mr. Mathias.—What is the scheme you were putting forward?

Mr. Lalljee.—I was just telling that a small difference between the Indian and foreign salt might be made which would not be so great as to allow the Indian manufacturers to reduce the quality because if they do it, then the foreign salt would be sold.

Mr. Mathias.—Do you suggest a higher duty on Aden salt?

Mr. Lalljee.—I put Aden with India.

President.—We don't say Aden, Karachi. We simply say table salt and we say white crushed salt. We don't say where it comes from. We simply say that it is sold at a certain price and therefore there is no advertising of any particular salt.

Mr. Mathias.—Government would be sole purchaser and when there is over-production they should purchase it by tender.

Mr. Lalljee.—I am not in favour of that scheme at all.

Mr. Mathias.—What are your objections to the scheme?

Mr. Lalljee.—I really want everybody to develop his own industry and sell as good salt as possible. I always believe that businessmen can manage their affairs better and at less cost. It is ultimately to the advantage of the consumers.

President.—That is reflected in the prices. You cannot say that businessmen can do business better, because prices have varied so tremendously.

Mr. Lalljee.—Up to now there is so much of foreign salt coming in and they have been protected and helped by their Government. Take the instance of Mussawah. Now they are making a big salt works. The Italian Government are going to give all the money without interest to Ras Hafun, a new Italian Salt Works near Mussawah.

Mr. Mathias.—That is just the point. The businessman has proved unable to control prices and so Government should control prices.

Mr. Lalljee.—In that case Government will be unable to meet. No foreign Government would give as much as As. 4 difference.

Mr. Mathias.—You say As. 2.

Mr. Lalljee.—As. 2 is quite sufficient for everybody to maintain prices and to turn out the quality required. From my experience of 18 years I think a difference in duty of As. 2 will be sufficient inducement for India to produce good salt and sell their salt against foreign salt.

President.—From the whole of our experience we have found that As. 2 will not do. The variations have been as much as As. 8. What reason have you to think that As. 2 will stabilise prices. Experience shows that their policy is to meddle with prices when there is competition which they fear and the poor consumer suffers because of these speculations. It is quite uncertain how much he is going to pay for his salt. Businessmen have failed to benefit the consumer or to stabilise the prices.

Mr. Lalljee.—It is all Indian businessmen.

President.—I do not know who they are. I say people outside the Government. You object to Government management.

Mr. Lalljee.—Yes.

President.—All these things have to be done: you have to establish the industry in the country at the lowest cost, stabilise the price for the industry, guarantee the quality, and at the same time shut out the foreign imports. All these things have to be done simultaneously. They can't be done unless there is some control and I am just considering the thing. Please do not suppose that I am expressing an opinion.

Mr. Mathias.—On the contrary we would welcome a scheme which would meet all these points.

President.—You have got to put forward a scheme which would secure all these objects without [illegible] interference.

Mr. Lalljee.—I am only making a suggestion just now. As you know we have got our Association, we have a weekly meeting and we fix our prices. Supposing we formed an Association like this and in which we had two officials, Collector of Customs and some other officer as also the members and fixed reasonable prices in consultation or in agreement with them, that would meet the difficulty.

Mr. Mathias.—Reasonable prices for different kinds of salt. You would fix one price for Aden and one price for Karachi.

Mr. Lalljee.—It all depends on crushing. I can produce very fine salt if I can get a better price; otherwise I will produce salt of a fair kind which would be taken by the ordinary class of people. As the Chairman pointed out there may be special class of persons who would take only Liverpool table fine salt. About 50,000 tons must be of that quality. If somebody were to produce that quality, he might be given a higher rate, because the crushing charges and the drying charges would be more.

Mr. Mathias.—Do I understand that the rate is fixed for each class of salt by the Association and those rates are effective?

Mr. Lalljee.—They are. For every salt rate is fixed.

Mr. Mathias.—The present price is Rs. 65. Would there be any difficulty in the Association fixing a price of Rs. 70 for the Okha salt?

Mr. Lalljee.—We have got seven qualities of salt in our Association.

President.—They don't correspond to the quality of the salt.

Mr. Lalljee.—They do. We are very keen about the quality, and crushing is taken into consideration.

President.—Why does Bombay salt get Rs. 72?

Mr. Lalljee.—Bombay salt is not in the Association, and small number of people have taken fancy for it, the quantity is small.

Mr. Mathias.—Spanish salt is rather better than the Liverpool salt according to analysis.

Mr. Lalljee.—You may have your analysis. That is not the thing. You may have some special samples.

Mr. Mathias.—Spanish salt is 99·664 sodium chloride.

Mr. Lalljee.—We are fighting over a difference of one rupee for the different salts. The salt that is being sold in the country and consumed in thousands of tons is taken into consideration and in 99 meetings out of 100, we have trouble about fixing rates for the different qualities.

President.—Why should you have so many different qualities? Most people cannot tell whether it is Hamburg salt or Liverpool salt.

Mr. Lalljee.—The consumer knows it very well, and they also look to crushing and colour.

President.—He is not prepared to pay so much more. He would be satisfied if you gave him a similar salt which would be as good in appearance and so on.

Mr. Lalljee.—I don't agree. We can never replace one quality which is going on, until some time.

President.—That is true, because the vested interest won't allow you.

Mr. Mathias.—Actually during the coal strike in 1926 when the imports of Liverpool salt were limited to about half, Hamburg salt took its place. Surely the consumer must have been prepared to give up his Liverpool salt.

Mr. Lalljee.—There is no alternative. Before the war Spanish salt used to come. Now Port Said salt is coming in large quantities.

Mr. Mathias.—If you fix your grades of salt and put them on the market, the consumer will be quite prepared to accept the salt provided it is approximately of the same quality.

President.—Now you are in favour of control according to what you said just now. Your objection is to the Government control.

Mr. Lalljee.—Entirely Government control.

President.—Do you agree as to the principle? If you were to guarantee all these things, quality, prices and so on, there must be some control exercised by somebody. It may be partly Government and partly private, but not wholly Government, is that your point?

Mr. Lalljee.—Yes, if protection is to be given against foreign salt.

President.—That is the only point on which you don't agree.

Mr. Lalljee.—This is all based on the question that Indian salt would only be brought in.

President.—You shut out all foreign salt gradually. In the meanwhile this organisation would have control of the whole market. Then it will say "two or three qualities of salt. This is the price we pay to the manufacturer which will be fixed on our fair selling price either at the works or at the port or f.o.b. or c.i.f." You will get a price which gives you a reasonable and fair amount of profit on your investment. So long as India doesn't produce more than 500,000, there are no complications because India will have its first bite on the market. Supposing India begins to produce one million tons, then what happens is that you have got to compete amongst yourself and whoever is able to quote the cheapest price below the maximum price fixed will get.

Mr. Lalljee.—The fittest must survive if we do not agree amongst ourselves.

President.—You are prepared to face that situation.

Mr. Lalljee.—Yes, to some extent, if it came to.

Mr. Mathias.—To what extent do the Association's powers of control extend? Would it be possible for the Association if it desired to encourage Karachi salt to so arrange prices as to ensure 100,000 tons to Karachi salt to be sold at remunerative prices in the Calcutta market?

Mr. Lalljee.—It would depend on the quality of the salt produced and whom they would be able to replace. We would have to consider also how the consumer would take that salt. As the consumer begins to take a particular kind of salt, that salt would be admitted in place of foreign salt and to that extent.

Mr. Mathias.—I am thinking of your scheme in which you propose that the Collector of Customs and one other Government official should be on the Board. That seems to me not impossible in any way. Would it be possible for them to ensure a reasonable price for Karachi salt?

Mr. Lalljee.—There would be no difficulty.

Mr. Mathias.—It would have to be introduced gradually.

Mr. Lalljee.—Yes.

Mr. Mathias.—Would your Association be prepared to consider that?

Mr. Lalljee.—I think so. When the Hajeebhoy salt came, we allowed it to go; when the Palonji salt came, we allowed it to go, and when the Okha salt came, we allowed it to go.

Mr. Mathias.—If your thoughts run in that direction you will devise a scheme after consulting your Association and let us know.

Mr. Lalljee.—Yes. In December I will be going to Calcutta and at the present moment we are discussing this point, both at Calcutta and with people in Europe.

President.—So long as we start with this principle that there is going to be control, we should welcome any proposal which realises these objects that we have mentioned to you without profiteering on the part of the Association. I think I must explain to you a little more. Let us take the price for the last five years just for illustration. Supposing we get a figure of Rs. 75 for the sake of argument.....

Mr. Lalljee.—For Aden salt.

President.—For foreign salt. We make no distinction between Aden and Liverpool so far as we are concerned. We say that the average price of all the salt that has to be put on the market is Rs. 75. The Indian manufacturer must be given a reasonable profit and the salt must be marketed at an average price of Rs. 75. The price of salt in any part where there is this marketing organisation should not be higher than it has been for the last five years. It is quite immaterial really speaking whether the Government does it or whether this organisation does it. It may be simpler, perhaps, for the Government to start first and after seeing how the thing works hand it over to a private organisation. Just to initiate the movement the private organisation may take a much longer time to come to agreement and all that. Supposing Government are satisfied that this can be handed over to a private organisation without any Government control, there is nothing to prevent the Government from doing it, but if you insist on a private organisation to start with, there may be difficulties because as you know our countrymen do not easily combine. So, it may be much easier to start it as a Government organisation. Government say " all right, we know that salt can be marketed reasonably at such and such a price. We will see that the new organisation to whom we hand over this is kept under our control ". Will there be any objection to that? Can you work out a scheme? Give your own scheme but do not exclude Government operations, say, for a short period in order to put the whole thing on a good footing.

Mr. Lalljee.—I will do it.

Mr. Mathias.—Would you consult your Association on the subject?

Mr. Lalljee.—I shall consult them.

Mr. Mathias.—Because obviously they are in a position to know exactly where the shoe pinches.

Mr. Lalljee.—It is not easy to replace the 350,000 tons by Indian production within the next 5 or 10 years.

President.—If they are not able to produce it in India, they will keep on importing. This arrangement dispenses with the trouble of finding out where salt is to be manufactured. Have you fully understood my meaning?

Mr. Lalljee.—You want an organisation to be formed.

President.—The objects to be kept in view are these. The first is stablisation of prices: that would be to the benefit of manufacturers as well as consumers. The second is to maintain the quality. These are the two principal objects. To bring them about, you must have an organisation. It will proceed in this way. It will have control of the whole market, that is to say, nobody can import anything except this organisation. It will then say " Now we want 500,000 tons—by way of illustration. How much can we get within India including Aden—say, 200,000 tons. We will import 300,000 tons and buy in India 200,000 tons ". It will have to pay you some reasonable price. The price of the whole salt will be averaged. Supposing, it pays you Rs. 80 and foreign salt Rs. 60, it will get a figure at which it could market the salt. Though it has to pay you a little more, it should be a figure which must be maintained for a long period. The organisation must secure that the Indian salt is supplied to the market. Eventually the foreign salt will disappear.

Mr. Lalljee.—Gradually it will disappear.

President.—This scheme presupposes a certain fair selling price.

Mr. Lalljee.—It does.

President.—Now we have to determine that.

Mr. Lalljee.—May I give you these freight rates from 1911 to 1919 (handed in) because the difference in the rates will help you to consider the question of variations in prices. I shall also give you the prices of my salt from 1911 onwards.

President.—Yes, they will be useful. We will deal with the c.i.f. prices that you have given here. In order to determine the exact variation, what

we really want is the highest and the lowest prices in a year. These are average prices, I think.

Mr. Lalljee.—Yes, they give an average price.

Mr. Mathias.—They give the actual price in the first week of each month.

Mr. Lalljee.—Yes.

Dr. Matthai.—That gives us the variation all right.

Mr. Lalljee.—Yes.

President.—I must ask you some questions about this. Take the first week of October, 1925. The price of Aden salt was Rs. 52 and that of Liverpool salt Rs. 58, the difference being Rs. 6.

Mr. Mathias.—Does that represent the market value of the difference in quality?

Mr. Lalljee.—We always kept a difference of about Rs. 12. At that time it happened to be Rs. 6.

President.—Up to 1st week of April, 1926, it was Rs. 56 and then in the next six months it rose to Rs. 116—more than double.

Mr. Lalljee.—At that time there was no combination.

President.—I don't care whether there was a combination or not. In the first week of July, 1926, the price of Liverpool salt went up to Rs. 113 and the price of Indo-Aden salt was Rs. 74. In the 1st week of October, 1926, Liverpool salt went up to Rs. 122 whereas Indo-Aden went up to Rs. 115. There must be some reason for this general increase in 1926.

Mr. Lalljee.—It must be due to scarcity or the speculators must have cornered salt or the shipments must have been delayed.

President.—These high prices remained throughout the whole of 1927.

Mr. Lalljee.—Our Conerfence came into existence in March, 1927.

President.—In the first week of July, 1927, the prices are same.

Mr. Lalljee.—I am explaining why the rates went up from Rs. 74 to Rs. 116.

Mr. Mathias.—What is the reason?

Mr. Lalljee.—It must be due to some scarcity.

Mr. Mathias.—It is not a rate which continued only for a week or a month, but it extended to 1927.

Mr. Lalljee.—We had to keep the ruling rates that were then existing. The Conference has to come into existence. At that time certain merchants were cornering the market. From the objects and aims of our Association, I will read to you the preamble.....

President.—Have you got a copy of your Association rules or have you got a copy of the agreement? If you could let us have it, it would be useful.

Mr. Lalljee.—Yes.

President.—As regards the high prices, shall I give you a possible explanation? There was the coal strike in May, 1926. Therefore the speculators on the Calcutta side thought that the price of Liverpool salt would go up and whatever salt they had at that time they took it up to Rs. 122. In sympathy with that, you raised your prices too. The difference between your salt and their salt was Rs. 6 and you fixed your price at Rs. 116. That is the probable explanation.

Mr. Lalljee.—May be. The difference between our price and that of Liverpool salt in the first week of July, 1926, is very much more, being nearly Rs. 39.

President.—The strike started only in May. Therefore you took a little time to adjust yourself to the new conditions of speculation.

Mr. Mathias.—You might have shipped some cargo at Rs. 74.

President.—Have you got the freight rate for October, 1926? We would like to have freight rates from 1925 onwards.

Mr. Lalljee.—The freight rates had gone up but not appreciably. They had gone up by Re. 1-8-0. We were chartering at Rs. 6-8-0 or Rs. 7 and the rate went up to Rs. 8, then Rs. 9 and then Rs. 10.

Mr. Mathias.—It went up to Rs. 10 on what date?

Mr. Lalljee.—My charter was Rs. 6 from January, 1926, to April, 1926; then in August it was Rs. 7-8-0, then Rs. 8, then in December it was Rs. 9 and in March, 1927 it was Rs. 10.

Mr. Mathias.—What was the date of the first rise, say, from Rs. 6 to Rs. 10?

Mr. Lalljee.—Rs. 6 was ruling up to April, 1926, and Rs. 10 in January, 1927. It gradually went up, Rs. 8, Rs. 8-4-0, Rs. 9 and then Rs. 10.

Mr. Mathias.—That accounts for your Rs. 74 in July but it would not account for the later increase to Rs. 115, would it?

Mr. Lalljee.—No. There might be less arrival of Liverpool salt. We formed an Association in 1927 the aim of which was to prevent violent fluctuations in prices and to regulate the supplies according to demand. There was a lot of cornering at that time and that is the only explanation that I can give.

President.—You were not short of supplies yourselves?

Mr. Lalljee.—No. Our supplies were almost normal.

President.—So that the only explanation is that somebody was manipulating the market?

Dr. Matthai.—It was in 1926-27 that your output went down by about 25,000 tons so that your output was much less than normal in that particular year?

Mr. Lalljee.—Yes. There was a small flood in 1926 and there was a big flood in 1927.

President.—Your imports in 1925 were 84,000 tons, in 1926 it was 79,000, in 1927-28 it was 80,000 tons, so that the imports remained more or less about the same.

Mr. Lalljee.—Those were the combined imports from Indo-Aden and the Italian works.

President.—As far as I can see your prices always rise or fall in sympathy with Liverpool prices; that is what it looks like unless you are able to give some other explanation. They continued like that till October 1927—practically till July 1928.

Mr. Mathias.—What were your freights in 1928?

Mr. Lalljee.—Rs. 6-8-0 to Rs. 7.

President.—Their price remained at Rs. 116 in the first week of October and your prices dropped to Rs. 101 in the first week in January and remained at that figure until August, 1928. Then there was a sudden drop of Rs. 28. What was the exact cause of it?

Mr. Lalljee.—There was a difference of opinion amongst ourselves. It was like this. Liverpool, Port Said and the Spanish people thought that Tunis and Roumania were sending out their cargo of salt and people in the Continent and specially in England received information that a big concern was being floated for importing salt which would be equal in quality to the Liverpool salt and that of the Port Said salt, and after a lot of hesitation and discussion by a majority the Conference decided to reduce the price. From May 1927 we were practically out of the market owing to the floods.

Mr. Mathias.—This drop coincided with the imports from Okha.

Mr. Lalljee.—No, sir. Okha came in October and it was only 2,000 tons.

Mr. Mathias.—The Okha consignment was in July.

Mr. Lalljee.—This reduction in price had nothing to do with that, though unfortunately it did coincide.

President.—I am not suggesting that what you did was wrong. What I am suggesting is that in trying to protect yourselves against Roumania or some other country you might injure the Indian industry. It is a poor consolation to be told that you wanted to hit somebody else when it did hit the Indian industry!

Mr. Lalljee.—May I ask you to look at it this way. 15,000 tons of Hajeebhoy and 15,000 tons of Little Aden salt have come into the market and they say " we welcome this Association; it is because of this Association that we are getting this price ". This Okha new salt works say " we don't want the Association. We can make 30,000 tons " while it hardly makes 5,000 tons. In that case does Okha's statement carry any weight? The Okha people complain that because their salt came into the market we reduced the price of 30,000 to 50,000 tons of salt because of their 5,000 tons!

President.—The fact remains that this reduction in price coincided with the imports from Okha. You might have done it from quite a different motive: you might think of shutting out somebody else, but in doing that if you shut out Okha it is very little consolation to him.

Mr. Lalljee.—But since then we brought five cargoes and Hajeebhoys brought three cargoes and if we reduced our rates you cannot take a solitary instance and say it was done to hit the Indian concern.

Mr. Mathias.—Your conference so far has not been able to stabilize the prices very much so that these variations are bound to hit all new works whether foreign or Indian.

Mr. Lalljee.—For a year and a half we have kept the same rate.

President.—Quite so, but it is an unremunerative rate for the Indian industry.

Mr. Lalljee.—Yes. They say they are doing this business at a loss. I shall be only too glad if you could give us Rs. 75. The price of our salt *ex-ship* is Rs. 65 and *ex*-golah Rs. 68, whereas Bombay salt is being sold at Rs. 70.

Mr. Mathias.—You are at present getting how much for your salt in the Calcutta market.

Mr. Lalljee.—We have given you the rates.

Mr. Mathias.—I know you have given the rates up to the first week in October, 1929. Has there been any change since?

Mr. Lalljee.—There is no change.

Mr. Mathias.—Is it still Rs. 65?

Mr. Lalljee.—Yes.

Mr. Mathias.—Would you mind explaining the machinery by which prices are fixed?

Mr. Lalljee.—It is fixed like this We calculate roughly what would be the cost of different importers and we kept that difference. On that basis we fix upon a price which would give everybody a fair return.

Mr. Mathias.—That is your price based on somebodyelse's price.

Mr. Lalljee.—Yes. We base our price on the Liverpool and other salt prices.

Mr. Mathias.—What difference is there between the two?

Mr. Lalljee.—Rs. 15.

Dr. Matthai.—Why is the difference so big? In 1925 it was only Rs. 6 to Rs. 7 more. In 1929 it went up to Rs. 16.

Mr. Lalljee.—The retailers always use to keep some difference between the different salts and the usual difference is about Rs. 10 to Rs. 12, sometimes Rs. 15 between Aden salt and Liverpool salt. Recently we have kept up this difference, because we wanted to have a little more market.

Mr. Mathias.—Which is the salt that you mainly compete with?

Mr. Lalljee.—Our salt competes with Port Said and Mussawah.

Mr. Mathias.—What about Roumania?

Mr. Lalljee.—Roumania doesn't come in at present.

Mr. Mathias.—What about Okha salt?

Mr. Lalljee.—We have not taken that into consideration.

Mr. Mathias.—Actually does it compete with the Okha salt or not?

Mr. Lalljee.—The quality is almost like that. We have not seen that Okha has made any inroad.

Mr. Mathias.—From the present prices it looks as if the prices of Hamburg and Liverpool salts are fairly stable, but the Conference has reduced the prices of other salts to exclude Italian salt and Port Said salt, is that the correct position?

Mr. Lalljee.—The difference is the same.

Mr. Mathias.—There is very much larger difference between your price and Liverpool price. I have made a note here as regards previous years' prices and I find that in the first week of October, 1928, the difference was Rs. 7; first week of July it was Rs. 7; first week of April, 1928, Rs. 6; first week of January, 1928, Rs. 6; and in the first week of October, 1927, it was Rs. 6. In the first week of April there was a difference of Rs. 17. Normally you might say the difference is Rs. 6 or Rs. 7. During the first week of October, 1928, the price of D'Jibouti salt was Rs. 65 and the price of your salt was Rs. 72. It remained at that rate till the first week of January. During the first week of April your price was Rs. 65 and D'Jibouti Rs. 65. After six months you reduce the price to Rs. 65.

Mr. Lalljee.—D'Jibouti has no selling agency or regular brokers. The Little Aden, Hajeebhoy and others get one cargo in a season and what they do is this: they sell the whole cargo to a certain merchant who can pay immediately, whereas we don't do like that. We sell in small lots from the steamer as also from the golah.

Mr. Mathias.—Can you tell me the reason why you reduced your price from Rs. 72 in the first week of January, 1929, to Rs. 65 in the first week of April?

Mr. Lalljee.—We could not sell sufficient quantity of salt according to our quota because of this; Hajeebhoy brought in salt which was of our quality; Little Aden brought in salt which was of our quality. Therefore we had to keep certain rates by which the finer salt must be kept at a little higher rate.

Mr. Mathias.—This is on account of the competition between the various classes of salt.

Mr. Lalljee.—As the quantity of our salt is going to be increased, we want that market for this quality of salt, that is to say, if we kept a fairly low difference, we could introduce more and more of this salt. We are not going to compete with Bombay salt in Calcutta. We must keep sufficient market for that consumption and we must keep such rates as people would buy in larger quantities in preference to finer salt.

Mr. Mathias.—Then the position is this: the Conference has stabilised the prices of Hamburg and Liverpool salt.

Mr. Lalljee.—Yes.

Mr. Mathias.—But as regards the other salt, the price is fixed by competition. You are fighting for your market.

Mr. Lalljee.—When Roumania or Tunis finer salt comes in, we allow the Liverpool salt to reduce the rates, otherwise not.

Mr. Mathias.—At present practically the price of Liverpool salt is stabilised. During the four quarters of 1929 it was Rs. 80 and during the last quarter of 1928 it was Rs. 80. During this time your price was reduced from Rs. 72 to Rs. 65 so that practically I might say that the price of Liverpool salt is stabilised.

Mr. Lalljee.—Yes.

Mr. Mathias.—This price of Rs. 65 you fix yourself by competition.

Mr. Lalljee.—No. It all depends on the freight rate. Chartering also is taken into consideration. If Aden charters at a lower rate, then they allow us to reduce our rates.

Mr. Mathias.—At the same time your rate of Rs. 65 is a rate which you fixed I understand in order to increase your market.

Mr. Lalljee.—Yes, just to keep up our market.

Mr. Mathias.—That is a fairly remunerative rate.

Mr. Lalljee.—Yes, as the freight rates are favourable.

Dr. Matthai.—I notice in 1927-28 imports from Aden increased as compared with the previous year from 39 lakhs to 53 lakhs.

Mr. Lalljee.—Yes.

Dr. Matthai.—Similarly there was considerable increase of imports from Spain, from Egypt, from Italy and East Africa. It looks to me therefore that there was a very considerable increase in the imports of corresponding competing qualities of salt and that probably accounts for the drop as compared with Liverpool. You were up against a very severe competition in 1927-28 with Spain, Egypt, Italy and East Africa. In order to maintain your position in the face of these increasing imports you had to bring down your price, increase the gulf as between them and yourself.

Mr. Lalljee.—Yes. Port Said and Mussawah want to bring in more salt and we have to check their prices always. That is why we wish to keep our rates in such a way that the difference may always remain there and that the customers may stick to us.

Mr. Mathias.—That is exactly what I mean. Just at present the conference arranges the rate so as to prevent outside inferior salt from coming in.

Mr. Lalljee.—We want that none of our markets in Bengal should go to finer salt and every year we find that attempts are being made by Port Said to capture our markets. We always stick to our quota. If in one month our complete quota of that quality of salt is not sold, we at once reduce our price by one rupee and not let the market go out.

Mr. Mathias.—How far are you prepared to reduce?

Mr. Lalljee.—Already the difference between our salt and others is much more.

Mr. Mathias.—How do you mean exactly?

Mr. Lalljee.—Just as you pointed out between Liverpool and our salt the difference was less. Now it is more. Since April, 1929, we have kept on the same rates.

Mr. Mathias.—You would be prepared to reduce your price still more.

Mr. Lalljee.—Really speaking the imports have not fallen off. On the whole our quality salt has captured more of the Bengal market than finer salt.

Mr. Mathias.—If you want to dispose of 1¼ lakhs of maunds of salt, you would still further reduce your price and that seems a reasonable thing to do.

Mr. Lalljee.—We can sell it at Rs. 60.

Mr. Mathias.—In order to get 1¼ lakhs of maunds, you would have to reduce your price to Rs. 60.

Mr. Lalljee.—After all the present rates are very low.

Mr. Mathias.—I understand the Conference has arranged to give you 1¼ lakhs.

Mr. Lalljee.—Not yet, but in course of time.

Mr. Mathias.—So that in order to effect the sale you would in course of time reduce your price to Rs. 60.

Mr. Lalljee.—I think it will take three or four years more.

Mr. Mathias.—In course of time you will probably reduce your price to Rs. 60.

Mr. Lalljee.—Yes, if the freights are the same.

Mr. Mathias.—You would be able to maintain your profit if you increased your output to 1¼ lakhs of maunds even though the price might be lower.

Mr. Lalljee.—Yes, may be a little less. We will be able to maintain the same rate of profit. I expect with further production we will reduce at least As. 6 per ton.

Mr. Mathias.—So that Rs. 60 would be a remunerative rate for you.

Mr. Lalljee.—Yes.

Mr. Mathias.—What do you estimate in the way of profit on the rate of Rs. 60?

Mr. Lalljee.—Another 6 per cent. on our capital—say, 12 per cent.

Dr. Matthai.—Not at present costs.

Mr. Lalljee.—No.

President.—You are getting about 12 per cent. on the present prices.

Mr. Lalljee.—Not entirely 12 per cent.

Dr. Matthai.—About 10 to 12.

Mr. Lalljee.—If we are lucky enough to sell our salt from the steamer side then the cost is much less.

Dr. Matthai.—This is half steamer and half golah. That gives you about a rupee more per ton.

Mr. Lalljee.—Even now we are getting between 10 and 12 per cent.

President.—If your cost came down by As. 8, you might get another 4 or 5 per cent.

Mr. Lalljee.—We might. It will give us As. 6 to As. 8. We consider that if our production is 125,000 there will be a saving of As. 6 to As. 8.

President.—Every four annas would give you one per cent.

Mr. Lalljee.—Yes. A few months ago we had floods and we had to incur an expenditure of Rs. 40,000. With regard to the Okha salt our Calcutta Agent says that this year there will be no crushed salt. All our rates are for crushed salt while the rate given by Okha is for uncrushed salt. This year Okha sent only uncrushed.

President.—What is the difference between uncrushed and crushed?

Mr. Lalljee.—It makes a difference of Re. 1-4-0 per ton.

Mr. Mathias.—For uncrushed salt they get Rs. 62.

Mr. Lalljee.—Yes.

Mr. Mathias.—There is a difference of about Rs. 4 between your salt and Okha salt.

Mr. Lalljee.—Our salt is crushed. Between crushed and uncrushed salt there is always a difference of Rs. 5. I may tell you on our fine salt the difference is much more. We want to keep our market a little more because Aden is bringing in that salt. Okha is bringing that salt also. Willingly we have given way. It is not because of anything special but we realise the fact that we must make room for Aden, Okha and other salt.

Mr. Mathias.—Otherwise you would charge more.

Mr. Lalljee.—They ask us to increase the rate and we often tell them that our quality salt is coming in more. Therefore, if we don't keep that, many people won't go in for finer salt.

Mr. Mathias.—That is to say, part of your business would go to Liverpool.

Mr. Lalljee.—Liverpool is special quality. It may go to Hamburg, Spain or Port Said.

Mr. Mathias.—Is there much difference between Liverpool and Hamburg?

Mr. Lalljee.—There are two qualities in Hamburg salt. One is Vacca which is almost like Liverpool.

Mr. Mathias.—What is the other quality?

Mr. Lalljee.—Hamburg crushed. Before the war, Hamburg salt was sold in very large quantities and Chittagong was their port.

Mr. Mathias.—What does Hamburg crushed salt fetch?

Mr. Lalljee.—That fetches Rs. 5 less. Now-a-days the difference is Rs. 7. Formerly the difference was Rs. 3.

Mr. Mathias.—What are the views of your Association? Do you think that they would be able to maintain present prices?

Mr. Lalljee.—I think so.

Mr. Mathias.—Or are they likely to increase or decrease prices?

Mr. Lalljee.—They won't increase unless the freights increase. If we do so without a corresponding increase in freights, we invite foreign salt.

Mr. Mathias.—You are not likely to make the mistake which you made two years ago.

Mr. Lalljee.—No. They did it much against my desire.

Mr. Mathias.—You advised them not to increase.

Mr. Lalljee.—I did.

Mr. Mathias.—As it turned out, it proved to be a mistake.

Mr. Lalljee.—Yes. I was not in the market because of floods.

Mr. Mathias.—If you were, you would have insisted on their not increasing the price?

Mr. Lalljee.—Yes.

Dr. Matthai.—You say in your replies to the questionnaire that the white salt manufactured in your works is nearly equal in quality to other imported crushed white salt.

Mr. Lalljee.—Yes.

Dr. Matthai.—It is nearly equal, but not quite equal. What is the difference?

Mr. Lalljee.—Liverpool and Hamburg vacca salt is very dry and fine.

Dr. Matthai.—Is it a matter of crushing mainly?

Mr. Lalljee.—Crushing and drying. There is very little moisture in that salt.

Dr. Matthai.—Aden is a very dry place.

Mr. Lalljee.—We can do it but we are not doing it.

Dr. Matthai.—How can you do it?

Mr. Lalljee.—We can do it. For eight months more it would be drier. We had dried it.

Mr. Mathias.—Your working costs would go up then.

Mr. Lalljee.—Yes.

Mr. Mathias.—It pays you better to make the present salt.

Mr. Lalljee.—Yes.

Mr. Mathias.—So that, so far as Liverpool and Hamburg are concerned there is open competition. It is unlikely that you will ever replace them. If the consumer wants dry salt, the trust may insist on a particular quality of crushed salt. Supposing Government made no arrangements?

Mr. Lalljee.—It would be difficult.

Mr. Mathias.—Because it pays you better to import not quite as much good quality of salt as Liverpool than to undertake the drying process.

Mr. Lalljee.—I may tell you that so far as quality is concerned, it is quite good. The great mass of the population, we have come to know, like our salt except the very high class. You will see that in the last 20 years we have captured a lot of the market. The price is lower and the quality good.

Dr. Matthai.—At present the difference between the Liverpool price and your price is Rs. 15.

Mr. Lalljee.—Yes.

Dr. Matthai.—Supposing that margin was raised to Rs. 25, would you be able to displace Liverpool salt?

Mr. Lalljee.—We would make inroads but not entirely displace.

Dr. Matthai.—Some consumers would take Liverpool salt even at a very high price, so that even a margin of Rs. 25 might not make any difference.

Mr. Lalljee.—It would make a difference. If there was a margin of Rs. 25, we would certainly make inroads.

Dr. Matthai.—You think that it would be right to assume that whatever encouragement we gave to Aden, Karachi and Okha salt, the consumption of Liverpool salt would continue on the present scale; that is a portion of the market which you can never hope to capture.

Mr. Lalljee.—That is why I have suggested that there should not be more than two annas.

Dr. Matthai.—I quite understand that this two annas difference will enable you to capture the market which is at present held by the other Red Sea ports, and Spain.

Mr. Lalljee.—Yes.

Dr. Matthai.—But a margin of two annas will never help you to capture the Liverpool market in Calcutta.

Mr. Lalljee.—No.

Dr. Mathai.—So that in estimating the amount of market which is available for Aden, Karachi and Okha, we might rule out Liverpool for practical purposes.

Mr. Lalljee.—It may be like this. At present Liverpool is bringing nearly 75,000 tons because of the difference that we keep: otherwise it will probably come down to 60,000 tons immediately.

Dr. Matthai.—Would it?

Mr. Lalljee.—Yes.

Dr. Matthai.—Now I find from the trade figures that this increase in the difference from Rs. 6 to Rs. 16 has made no difference to the imports of Liverpool salt.

Mr. Lalljee.—Liverpool has got fixed freight rates.

Dr. Matthai.—Actually in the Calcutta market *ex*-golah there is a difference of Rs. 15 at present. It is Rs. 8 more than what it was two or three years ago. In spite of that increase in the difference, the imports of Liverpool as a whole have not merely continued on the previous scale but have shown some increase.

Mr. Lalljee.—There has been no increase.

Dr. Matthai.—There has been a slight increase.

Mr. Lalljee.—We do not go into their market; that is to say, for the last two years, all are restricting themselves to the quantity that they have been selling. They do not bring in more and the rates are arranged in such a manner as not to compete with one another's market. Otherwise some inroad might have been made.

Mr. Mathias.—If that is so, why don't you tell the Okha people straightaway that they can bring in 50,000 tons?

Mr. Lalljee.—We have never refused anybody. But we must be sure of the quality and of the regular quantity that the people will take. We are in the line for the last 20 years. We have large outstandings. We have our brokers and agents. We cannot force them to take Okha unless they bring in marketable salt.

Mr. Mathias.—Why don't you send for them and say so?

Mr. Lalljee.—They have not produced yet. What would be their costs we do not know.

Mr. Mathias.—They are producing at the present moment.

Mr. Lalljee.—They have not brought in any crushed salt. We are not going to compete with them if they bring.

Mr. Mathias.—Will your Association give them a quota?

Mr. Lalljee.—We will. We did give a quota to D'Jibouti but immediately after that we found that they had special advantages over Aden and that their Goverument did not charge them.....

President.—D'Jibouti is French.

Mr. Lalljee.—Yes. We told them that we would not take them in.

Mr. Mathias.—Supposing the Okha people satisfy you as regards quality and say " we want you to give us a quota of 60,000 tons ".

Mr. Lalljee.—We won't give them all at once but gradually we might give them.

Mr. Mathias.—It won't be of much use to them, when they are producing 60,000 tons, if you give them 5,000 tons.

Mr. Lalljee.—Let us see when they produce 60,000 tons. I have been in the line for some years and I know that it is not so easy. The experience of my own cousins confirms me in that opinion. Only last year or the year before, my cousins have been able to produce.

Mr. Mathias.—Supposing they apply to your Association, would they consider their representation?

Mr. Lalljee.—Not in the present stage.

Mr. Mathias.—Supposing they produced 60,000 tons?

Mr. Lalljee.—We would have to make room for them.

Dr. Matthai.—At your expense?

Mr. Lalljee.—At the expense of foreign salt.

President.—Which foreign salt?

Mr. Lalljee.—Mussawah, D'Jibouti, Spain, etc.

Mr. Mathias.—To do that, you would have to reduce your price.

Mr. Lalljee.—I don't think so, but if there is to be a reduction then everybody will have to reduce his price.

Mr. Mathias.—Without a reduction in the price, they won't stop importing.

Mr. Lalljee.—Yes, if there is no protection, they will compete.

Mr. Mathias.—In order to find room for 60,000 tons of Okha salt, there would have to be a further reduction in price.

Mr. Lalljee.—If there is to be no protection, then there will have to be a reduction.

Mr. Mathias.—What reduction?

Mr. Lalljee.—It would all depend on the strength of the various companies.

Mr. Mathias.—Could you give me any idea as to the amount of reduction in rupees?

Mr. Lalljee.—The Port Said company is a very strong company. It might put down the price immediately to Rs. 50.

Mr. Mathias.—In order to find room for Okha salt, they would have to sell at Rs. 50.

Mr. Lalljee.—Yes.

Mr. Mathias.—Are your reserves very strong?

Mr. Lalljee.—My reserves are not very strong. I may tell you that there is no outside capital. We have nothing to pay in the shape of interest Whatever we get we get.

Mr. Mathias.—Would that result in excluding your salt?

Mr. Lalljee.—I would not have 12½ per cent.

Mr. Mathias.—Rs. 50 would barely cover your cost of manufacture.

Mr. Lalljee.—Yes.

Mr. Mathias.—And it would leave you nothing in the way of profit.

Mr. Lalljee.—No. On the contrary we might lose—as merchants we have to—if there is no protection.

Mr. Mathias.—Your Conference would not object to finding a place for Okha salt.

Mr. Lalljee.—No.

Mr. Mathias.—In order to do it, probably the price would have to be reduced to Rs. 50.

Mr. Lalljee.—It may come to that.

Dr. Matthai.—That is a very big admission to make. When the President was suggesting the need for some kind of Government control, you objected to Government control.

Mr. Lalljee.—Yes.

Dr. Matthai.—Supposing instead of that we gave you protection of two annas—which is what you want: if it is possible for the Port Said people to reduce their prices still further, any measure of protection that you may get will be followed by a corresponding reduction in their price: in other words, there would be dumping as soon as protection is given and your protection will be ineffective straightaway.

Mr. Lalljee.—I have suggested two annas. The maximum reduction that they will make will be from Rs. 65 to Rs. 50. If there is protection and Government control over that, I am sure that the Port Said people will know that they cannot go on for ever.

President.—Supposing the Port Said people give up all profit, they could sell it at Rs. 50.

Mr. Lalljee.—They can. They have large capital. Other salt works have not got such large capital. If they compete, in a year or two all the smaller works will be closed.

President.—They might do the same, even if Government gave two annas.

Mr. Lalljee.—When once the Government is there they cannot do it. They cannot fight against Government.

Mr. Lalljee.—I wish to point out one figure. In 1911 salt from the United Kingdom was 1,75,000 tons, it is 74,000 tons in 1922-23. Aden salt in 1911 was 49,000 tons and it is now 1,47,000 tons. Aden is capturing the market.

President.—That is the point. On your own figures you can reduce the c.i.f. price by Rs. 15 and not lose anything.

Mr. Lalljee.—The important thing to be taken into consideration is that if we were a limited concern we would lose because we will have to pay interest.

President.—You are supposed to have made a lot of money in the past and the value of your plant must have been written down 5 times over.

Mr. Lalljee.—Our elders took most of that. I am the successor and at the present moment I am almost in the same position as any new man would be.

Mr. Mathias.—I don't suppose anyone coming into the market to buy your salt works will take it at its original valuation?

Mr. Lalljee.—No.

President.—Is it true that formerly the difference between the *ex*-golah price and the *ex*-ship price was Rs. 8 and now it is Rs. 3?

Mr. Lalljee.—Quite right.

President.—What is the reason? What you did was you reduced the c.i.f. price by Rs. 28 and now the *ex*-golah price by Rs. 5. There was a difference of Rs. 8 and you reduced it to Rs. 3.

Mr. Lalljee.—The reason is we want to encourage people to take our salt *ex*-ship since if it is taken *ex*-golah it costs us much more and therefore we ought to get a higher price.

President.—It ought to work the other way?

Mr. Lalljee.—There is always a demand for salt *ex*-ship since we have organized because they know they will have to wait if the ship is not there. I will let you have more information about it at Calcutta.

Mr. Mathias.—Is it this way? A wholesaler going to import upcountry finds that if he takes *ex*-golah it costs him Rs. 3 more so he takes *ex*-ship?

Mr. Lalljee.—Quite right.

Mr. Mathias.—What difference does it make to you?

Mr. Lalljee.—If they take more salt *ex*-ship it pays me more.

Mr. Mathias.—People who get their salt from the golahs have to keep it locked up for a considerable time.

Mr. Lalljee.—Those salts that are saleable *ex*-ship have the advantage.

President.—Have you reduced the price of salt?

Mr. Lalljee.—We have reduced the price of golah salt.

President.—Would not that encourage people to go to the golah?

Mr. Lalljee.—It is an advantage to people who take from the golah because the difference ought to be Rs. 7 but it is less.

President.—I want to know exactly what you have done. *Ex*-ship was Rs. 72, the other was Rs. 80. What have you done? Have you made them Rs. 77 and Rs. 80?

Mr. Lalljee.—We fixed our rates *ex*-ship and we put Rs. 3 for the golah although it costs them Rs. 7.

Dr. Matthai.—Why is this reduction?

Mr. Lalljee.—Because there is a demand *ex*-ship therefore we have raised the price *ex*-ship.

Dr. Matthai.—What is your object?

Mr. Lalljee.—My object is to take a better price from those who take *ex*-ship.

Dr. Matthai.—May I suggest that the bulk of the salt taken *ex*-golah is non-conference salt?

Mr. Lalljee.—No.

Dr. Matthai.—If you have fresh competitors in the market for imported salt that salt would be sold mainly *ex*-golah and therefore that is the point where you have cut prices.

Mr. Lalljee.—Nothing of the sort. What we thought all along was that our salt was taken *ex*-ship and therefore we kept the rate for salt sold *ex*-ship a little higher.

Dr. Matthai.—Generally people who take delivery *ex*-ship are established dealers with whom the Conference have established connections. But people who come for the first time into the market have to go to the golah.

Mr. Lalljee.—They can sell *ex*-ship as well. Outsiders, *e.g.* Roumania have sold *ex*-ship. The D'Jibouti is selling *ex*-ship. When you talk of non-conference salt all the non-conference salt that is coming in, for example Okha, Hajeebhoy and Little Aden, is not sold at these rates but at much lower rates and they get their money before they have to pay the freight. The Okha Salt Works are financed so far as freight I am told by Volkart Brothers. Really speaking if they were to pay their freight as the salt is discharged on arrival at Calcutta they will get the same price as ourselves. The price at which they say they are selling is not the true price. They sell the whole cargo and take advance. Take the two outsiders Tunis and Roumania. They practically sell 90 per cent. of their salt *ex*-ship.

President.—Who are the buyers? Are they men from the mufassal or are they Calcutta dealers?

Mr. Lalljee.—Both.

President.—Do the mufassal dealers buy direct or engage local brokers?

Mr. Lalljee.—They engage Calcutta brokers.

President.—Therefore it is a Calcutta man who buys?

Mr. Lalljee.—Yes.

President.—And he sells direct into the interior?

Mr. Lalljee.—Yes.

President.—Supposing you reduced this difference from Rs. 8 to Rs. 3. you would be encouraging golah sales?

Mr. Lalljee.—Yes.

President.—That is what you don't want because it costs you more to take into the golah.

Mr. Lalljee.—It makes no difference to us. Our salt is taken *ex*-ship, why should we bother with *ex*-golah?

Mr. Mathias.—Don't you take your salt to the golah?

Mr. Lalljee.—We do.

Mr. Mathias.—When it goes to the golah you lose Rs. 5.

Mr. Lalljee.—Yes.

Mr. Mathias.—Why should you lose?

Mr. Lalljee.—We can't sell and therefore we must lose. When there is a good market—

President.—For a newcomer it will be difficult to sell *ex*-ship unless he fixes a lower price. How is this marketing organized in Calcutta? Suppose I am a non-conference man what am I to do?

Mr. Lalljee.—In the Government Customs House there is a big waiting room and all the salt merchants, agents and brokers are there. They see the salt and make their purchases there. There is a regular bazaar.

President.—Supposing Roumanian salt is coming. As soon as the ship arrives you go and offer a lower price for your salt and therefore it is easy for you to turn down any salt that comes in if you like. When you know certain consignment is coming from such and such a place you go there and undersell it.

Mr. Lalljee.—If we want to do it, but we don't do it. When we find this is salt which will ultimately injure us in that case we cut the price with regard to that salt.

President.—Do you think that is good? You may have 1,000 tons on hand and somebody else may have 5,000 tons and the prices are cut; the man who has the lowest stock at the time loses the least, but he may be one of the wealthiest.

Mr. Lalljee.—Everybody has to suffer. If we all come to the conclusion that the rates should be reduced one who has got the largest stock suffers more.

President.—If you had one single organization the loss might be more equalized.

Mr. Lalljee.—I should be glad if it can be done but I don't know how it can be done unless Government take some interest. But there are so many classes of business—coal is there, sugar is there—how is Government to take up only salt?

President.—Salt is a different thing. Salt has been a monopoly of Government.

Mr. Lalljee.—Yes, so far as duty is concerned.

Dr. Matthai.—There are many countries where salt is a monopoly.

Mr. Lalljee.—I don't think Government could step in for that.

President.—Without going into any details at present of your costs—we have no means of estimating your block account, we can't say whether you are overcapitalised or not—you have twice the capital compared to the Okha Salt Works. Their capital on 70,000 tons is Rs. 8 lakhs fixed capital and yours is 17 lakhs.

Mr. Mathias.—On what basis have you estimated the capital cost? Can you give us some idea how you arrived at that?

Mr. Lalljee.—The amount we have spent.

Mr. Mathias.—The total amount you have spent since the work started?

Mr. Lalljee.—Yes.

Dr. Matthai.—If you spent 17 lakhs of rupees in 1910 the same kind of works to-day would cost rather more because the prices are generally higher now than they were before the war.

Mr. Lalljee.—We have not spent this Rs. 17 lakhs in one year. We went on spending gradually. For two years we didn't produce one ton of salt. At that time we spent Rs. 4½ lakhs.

Dr. Matthai.—Supposing a works like yours has to be erected now, what would be the cost?

Mr. Lalljee.—Rs. 20 lakhs or more.

Mr. Mathias.—When you have floods and pans are washed away and you put down new pans, you charge that to the capital account.

Mr. Lalljee.—Once erected we don't do it.

President.—On what capitalisation do they calculate your income-tax? Do they take the value of your plant at Rs. 17 lakhs?

Mr. Lalljee.—They look at the amount we have spent during the year and the amount we have recovered on the sale of salt.

Mr. Mathias.—To every manufacturing company that pays income-tax, the Income-tax Authorities allow certain rates of depreciation excluding profit. On what basis do they allow depreciation?

Mr. Lalljee.—They have got fixed percentages, depreciation on the machinery, on the pier and on the building. They allow 5 per cent. on the works, 5 per cent. on the machinery, 5 per cent. on the pier and 2½ per cent. on the buildings.

Mr. Mathias.—What have they taken as the value of these various things? You could no doubt enquire and let us know.

Mr. Lalljee.—Yes.

Dr. Matthai.—Does this item "Taxes" include income-tax?

Mr. Lalljee.—No.

Dr. Matthai.—Your taxes per ton of output in 1927-28 are As. 15. Another salt works in Aden which have a smaller output has given a figure of As. 11 under taxes.

Mr. Lalljee.—I have gone through that estimate and unfortunately that estimate is a puzzling thing to me. They might be able to explain to you. I may tell that I cannot follow the statement of costs sent by Little Aden Salt Works and by the 4 salt works at Aden.

Mr. Mathias.—What are your taxes?

Mr. Lalljee.—As. 8 per ton royalty; As. 3 per ton toll tax and Rs. 7,000 ground rent.

Dr. Matthai.—Now I understand that this Italian salt works have some advantage over you in the matter of taxes because they don't pay any ground rent. Does that amount to a substantial advantage? How much do you pay?

Mr. Lalljee.—We pay Rs. 7,000 and they pay only a few hundreds.

President.—They pay the same royalty.

Mr. Lalljee.—Yes. Municipal tax is the same.

Dr. Matthai.—They have got a longer lease than you.

Mr. Lalljee.—My lease has to be renewed after 30 years and their lease is for 100 years.

President.—Yours are within Municipal limits.

Mr. Lalljee.—Yes.

President.—On what is it assessed?

Mr. Lalljee.—It is assessed on the hypothetical value of the property. I will give you the figure later on.

President.—They have the same law as Bombay. They include the value of the machinery in the assessment.

Mr. Lalljee.—I think so.

President.—Bombay is unique in that respect where they include textile machinery too. I would like to know how this assessment is made and how you claim depreciation because the cost of reservoirs channels, condensers pans, etc., is much.

Mr. Lalljee.—Do you think the cost is much?

President.—I haven't the faintest idea.

Mr. Lalljee.—I think our works is supposed to be the most economical one.

President.—Why should they break down in 20 years time. You charge 5 per cent. This is more or less a permanent works. You have got another item for repairs and so on.

Mr. Lalljee.—That is a very small item. If you see the salt works these repairs are nothing. These are regular channels for water being run. We have got channels of nearly 30,000 ft. in length all round.

Dr. Matthai.—I understand from your agreement with Government that you are bound to sell to Government for local consumption a certain quantity at a maximum price, the maximum price being Rs. 2-8-0.

Mr. Lalljee.—Yes on the salt pit.

Dr. Matthai.—That would be how much below your actual cost. Your actual cost *ex*-works must be about Rs. 7 or Rs. 8. All these are costs that you have incurred *ex*-works. If you have got to sell to Government at a price not exceeding Rs. 2-8-0 it must be a very disastrous proposition for you.

Mr. Lalljee.—They have never taken it.

Dr. Matthai.—How much salt have you had to sell under that class in any year?

Mr. Lalljee.—I have not sold anything. There are Arab salt pans. They are only allowed to sell for Aden consumption. They have made this provision as a sort of safety. If something happens to their salt pans, they can take it from our pans.

Dr. Matthai.—I suppose this undertaking not to sell in the Arab littoral is also for protecting old pans.

Mr. Lalljee.—In the case of Arab salt pans there is no royalty to be paid, no toll tax to be paid, and no crushing tax to be paid. They take it from the pans.

Mr. Mathias.—Could you give us details of the cost of loading, storage and shipping charges?

Mr. Lalljee.—Yes.

Mr. Mathias.—Are they fixed charges per ton?

Mr. Lalljee.—Yes.

Mr. Mathias.—Does that include the cost of handling?

Mr. Lalljee.—Yes.

Mr. Mathias.—Could you give me some idea as to how much per ton is the handling cost?

Mr. Lalljee.—I will give you particulars.

Mr. Mathias.—There is no wharf in Aden.

Mr. Lalljee.—No.

Mr. Mathias.—Could you give us details for No. 8?

Mr. Lalljee.—As. 4 per ton for loading charges.

Mr. Mathias.—That is cooly labour.

Mr. Lalljee.—Yes. We give As. 3 per ton to khalasis to get the boats right up to the creek. Then we pay As. 4 boat hire. For the towage we pay As. 3-6 and extra coolies and supervision charges come to anna and a half. It is sometimes less and sometimes more.

Mr. Mathias.—As. 4 is a lot to pay per ton for loading, Okha people only pay As. 2 for handling. Do you think that there is any special reason for this difference?

Mr. Lalljee.—The port of Okha manages that.

Mr. Mathias.—I mean the ordinary loading, putting into trucks and so on.

Mr. Lalljee.—That is charged by the port of Okha.

Mr. Mathias.—They pay themselves and take it to the train.

Mr. Lalljee.—I don't know how they bring the trucks down.

Mr. Mathias.—One man can handle 5 tons a day. Is an Aden man much stronger?

Mr. Lalljee.—When you go to Aden you will be able to see many boats being loaded.

President.—Do you get it on a contract?

Mr. Lalljee.—Yes so far as the boat towage is concerned.

Mr. Mathias.—I want to get some idea as to what superior staff you employ compared to other works.

Mr. Lalljee.—Yes, I will send you a statement.

Mr. Mathias.—All these charges would go down if you increased your output.

Mr. Lalljee.—Yes.

Mr. Mathias.—Could you give us an estimate of how much it would go down if and when your output reached 120 lakhs.

Mr. Lalljee.—By about As. 1-6.

Mr. Mathias.—Under overhead there would be some reduction.

Mr. Lalljee.—In all there would be a reduction of As. 6 to As. 8.

President.—There is no possibility of a pier being built in Aden.

Mr. Lalljee.—No. It is a creek.

President.—Is there not very much local traffic?

Mr. Lalljee.—There is a lot. Aden is a distributing port. There are small coasting boats.

President.—The steamer stands in the stream.

Mr. Lalljee.—Yes.

President.—That is not very far from the shore.

Mr. Lalljee.—No.

President.—What is the reason for the pier not being built?

Mr. Lalljee.—Government don't think it necessary.

President.—The military have not asked for it.

Mr. Lalljee.—No, the Admiralty does not want it, because that harbour is more suitable at times and they put in a lot of warships. Every year they are deepening the harbour.

Mr. Mathias.—If you look at Form II (*a*) and II (*c*) you will find that if the output is increased by 5,000 tons, it will make a difference of one anna on item No. 2, 6 pies on item No. 5, 6 pies on item No. 6, 3 pies on item No. 7, one anna on depreciation and nearly As. 2 on interest. When you get a reduction with an increased output of 5,000 tons, what are you going to get if the output increased to 55,000 tons.

Mr. Lalljee.—Labour charges will be incurred. Only the supervision charges will be reduced. Depreciation and interest charges will be affected.

Mr. Mathias.—Your taxes would come down.

Mr. Lalljee.—No, as soon as the outturn increased the municipality would take more.

Mr. Mathias.—They ought to.

Mr. Lalljee.—Every year, they are increasing.

Mr. Mathias.—Your depreciation and interest charges?

Mr. Lalljee.—Supervision charges would come down.

Mr. Mathias.—With an increase of 5,000 tons in the output, the reduction would amount to As. 3-6.

Mr. Lalljee.—Yes.

Mr. Mathias.—With an increase of 55,000 tons, they ought to come down very considerably.

Mr. Lalljee.—Not very much.

Mr. Mathias.—You are nearly doubling your output.

Mr. Lalljee.—Yes.

Mr. Mathias.—Your overhead ought to be reduced to very nearly half. In Form II (*a*), you take 65,000 tons. Depreciation and interest charges come to about Rs. 2-13-0. If you go up to 1,25,000 tons, it is exactly double. Those charges ought to be reduced by half. They ought to come down to about Rs. 1-6-0.

Mr. Lalljee.—But then we will have to spend some more money.

Mr. Mathias.—You say it is a small amount—about Rs. 3 lakhs I think.

Mr. Lalljee.—Yes.

Mr. Mathias.—Even if you take Rs. 3 lakhs, you ought to get a reduction of at least one rupee in overhead.

Mr. Lalljee.—Supervision charges would not come down like that.

Mr. Mathias.—Leave out supervision charges. Take depreciation and interest. The output is going to be doubled. The price of Rs. 50 would really not be very unremunerative.

Mr. Lalljee.—We cannot possibly do it. On the Rs. 3 lakhs, you have to allow 5 per cent. depreciation and 6 per cent. interest charges. So, 11 per cent. has to be added to that.

Mr. Mathias.—How much does this come to—11 per cent. on Rs. 3 lakhs?

Mr. Lalljee.—Rs. 33,000.

Mr. Mathias.—The present charges will be Rs. 1,80,000.

Mr. Lalljee.—Yes.

Mr. Mathias.—That comes to roughly a little under Rs. 2 as against Rs. 2-14-11, the difference being about a rupee, even allowing you full Rs. 3 lakhs. Then, as you have been reminding me, there are supervision charges, so that it would not be less than one rupee on the whole. Even if you got Rs. 55 or Rs. 60 it would give you 12 per cent.

Mr. Lalljee.—It would not give me as much as that.

President.—The Italian works perhaps might sell at Rs. 55 and yet make a big profit.

Mr. Lalljee.—Their costs are less but they say that my costs are a little less.

President.—Supposing Government did nothing or if Government fixed the price so high that it would protect the Indian industry, *i.e.*, the industry on the Continent of India, when there is over-production, your costs being lower and the Italian costs being lower still, at that time, the Continent of India will have no business left.

Mr. Lalljee.—Why should our costs be lower than those of India? Why should you presume that Indian costs ought to be more?

Mr. Mathias.—Because they have such items as wharfage.

Mr. Lalljee.—Okha has no toll tax to pay. We have to pay as much as 3 annas.

Mr. Mathias.—Their wharfage comes to 13 annas.

Mr. Lalljee.—Our royalty is eight annas.

Mr. Mathias.—They pay 10 annas.

Mr. Lalljee.—They have no boat or towage charges.

Mr. Mathias.—What about the cyclones in Aden?

Mr. Lalljee.—We have the same thing.

Mr. Mathias.—The Okha people have to pay these charges:—

	As.	P.
Haulage to port	8	0
Wharfage	13	8
Royalty	10	10
Pier expenses, loading and unloading . . .	6	0

So, their expenses are very much higher than yours. Your expenses come to about 15 annas 6 pies.

Mr. Lalljee.—Then, there is royalty in our case which you have not taken into account. We also have to pay toll tax which you have not included.

Mr. Mathias.—Their total expenditure comes to Rs. 2-6-6, but you will find, after adding your royalty, toll tax and everything, you will have an advantage of 9 annas.

Mr. Lalljee.—It seems that we have an advantage.

Freight.

Mr. Mathias.—Do you have to pay any demurrage charges?

Mr. Lalljee.—Fortunately I have not had so far to pay anything in the shape of demurrage charges. But other people have had to pay.

President.—Do you get a whole ship?

Mr. Lalljee.—Always we get a whole ship.

President.—How many days does it take to load 6,000 tons?

Mr. Lalljee.—We load it in 4 or 5 days.

Mr. Mathias.—What are the causes of some of the firms being late in delivery and having to pay demurrage?

Mr. Lalljee.—Bad management. Most of the shippers have paid demurrages, but we have never paid any. On the contrary, we always get despatch money.

President.—What is despatch money?

Mr. Lalljee.—We finish with the steamer earlier than the stipulated time. Every year we earn despatch money because our merchants take regular deliveries. We give them facilities also.

President.—If you have this marketing organisation, it can do much better.

Mr. Lalljee.—Yes, there is no doubt about that, if they give facilities as we give to buyers.

President.—When we were talking this morning about the fair selling price, you said that you would not object to taking f.o.b. price.

Mr. Lalljee.—You mean f.o.b. Aden.

President.—Yes. The marketing organisation will find the freight and everything.

Mr. Lalljee.—I don't like it for the simple reason that I get advantage in freight in both ways.

President.—That is quite true. Do you charter your ship?

Mr. Lalljee.—We charter our ship and give sufficient inducement to go to Aden.

President.—If you have time charter?

Mr. Lalljee.—We offer them cargo during the months of January, February, March and April from Calcutta and Rangoon for Aden and other Red Sea ports. On their return, they must take our salt. We have always managed to get freight rates which are cheaper by four to six annas and it is also advantageous to Rice Shipment from Bengal and Burma.

President.—These people who can offer 400,000 or 500,000 tons may get better freight—supposing this company was started to market the salt.

Mr. Lalljee.—That company cannot give any cargo from Burma or Rangoon.

President.—The freight brokers will do some other business.

Mr. Lalljee.—It is a very risky thing for a salt manufacturer or a salt merchant. All these importers do not do so. We alone do it.

President.—Supposing you are able to find cheap freight, the company will have no objection to your getting the cheap freight for them.

Mr. Lalljee.—But the benefit should go to whom?

President.—To you?

Mr. Lalljee.—Then, I have no objection.

President.—You secure the freight for them and therefore you will get the benefit. You should have no objection at all to taking an f.o.b. price because this company will get the freight from you if your rates are cheaper.

Mr. Lalljee.—The company will also finance the freight and everything.

President.—You have not got to bother about anything. You simply hand over the salt.

Mr. Lalljee.—If Government does that, I have no objection, but there are many questions.

President.—You have said that Government is not a bad body to deal with.

Mr. Lalljee.—What about the agents?

President.—There are no agents in Calcutta.

Mr. Lalljee.—Every firm has got its agents in Calcutta. What are those agents to do? It is a losing concern for them besides there are upcountry agents who will also suffer.

President.—We cannot help that. The salt has to be marketed from the nearest place at the cheapest price, leaving you a fair return on your investment. We are now concerned with manufacturers and not with agents. In this enquiry we are not giving the agents any protection.

Mr. Lalljee.—This enquiry is at the instance of the consumer of Calcutta, is it not?

President.—No, but at the instance of manufacturers.

Mr. Lalljee.—What about Bombay manufacturers.

President.—We are not concerned with Bombay manufacturers. There is a market for them.

Mr. Lalljee.—Is this control for Bengal only?

Dr. Matthai.—For white salt.

President.—It may be for Bengal or it may be for the whole of that part.

Mr. Mathias.—There is just one other point in regard to costs. You have put down the charge of crushing as Rs. 1-3-0. We have got some other costs in which crushing is put down as 12 annas.

Mr. Lalljee.—Which is t[illegible] ?

Mr. Mathias.—In the O[illegible]ha Salt Works' costs it is given as 12 annas and there is one other company which I cannot lay my hands on at the moment in which the crushing charge is as low as that.

Mr. Lalljee.—The joint [illegible]entation of all the Aden Salt Works people shows that the crushing c[illegible]epres[illegible] are Rs. 1-6-0. So far as Okha is concerned, we cannot compete [illegible]harges [illegible], and we do not know how they arrive at the figure when they hav[illegible]with then[illegible]ne crushing.

Mr. Mathias.—Why not?

Mr. Lalljee.—Because the[illegible]y are exp[illegible]erts.

Mr. Mathias.—You are [illegible]also experts.

Mr. Lalljee.—We are o[illegible]rdinary manufacturers.

Mr. Mathias.—I suspec[illegible]t some sarcasm.

Mr. Lalljee.—No, no.

Mr. Mathias.—Is ther[illegible]y explanation why the crushing charges are so much higher?

Mr. Lalljee.—They ar[illegible]not higher. We are doing our level best for so many years to bring t[illegible]down, but we have not succeeded.

Mr. Mathias.—What puzzles me is that there must be some reason, either fuel must be more expensive or the engines are obsolete.

Mr. Lalljee.—Have they the Okha started crushing or is it only calculation? There is [illegible]ence between calculation and practical result although [illegible] they are made by experts.

Mr. Mathias.—Is it your view that when they come down to actual crushing it will come to much more?

Mr. Lalljee.—Yes. I have given it at 1-3 whereas Hajeebhoy and others have given it at 1-6.

President.—Why don't you put your salt on the Bombay market?

Mr. Lalljee.—The Bombay quality is quite different.

President.—Your quality is better.

Mr. Lalljee.—I don't know whether we will find a market for that salt besides we do not wish to compete with Bombay salt if we can help.

President.—You find it more profitable to do business in the Calcutta market?

Mr. Lalljee.—We first started business in Bombay salt and then we shifted to Aden.

Mr. Mathias.—Why don't you sell your Aden salt in Bombay?

Mr. Lalljee.—We have not tried it.

Mr. Mathias.—Do you think it is impracticable to sell this white salt in Bombay.

Mr. Lalljee.—There is no arrangement about golah and that sort of thing as we have in Calcutta and we do not wish also to compete in Bombay.

Mr. Lalljee.—Speaking about the freight rate, that the railways might reduce the freight, I made enquiries and I find that the railway freight from different places in Kathiawar to Calcutta is from Rs. 24 to 28 at present

President.—But that is not the limit.

Mr. Lalljee.—I may tell you that when there was competition in Bombay between the railways and the steamship companies I could charter a steamer

for Rs. 3-6-0. The B. I. S. N. Company had a contract with me when I was selling Bombay salt in 1909 at the Calcutta market at Rs. 3-6-0 for the whole year.

President.—That was when there was competition between railways and steamers.

Mr. Lalljee.—Yes. From Aden also we sent by B. I. boats at Rs. 3-12-0.

President.—That is why I am suggesting that you should get the f.o.b. price so that salt is cheapened.

Mr. Lalljee.—I attempted a great deal in the Railway Rates Advisory Committee to have the rates reduced but they wouldn't and they say they cannot afford to do it.

President.—Government can do it.

Mr. Lalljee.—That is true. But the difference is Rs. 28 and Rs. 7.

President.—Your real transport charges come to about Rs. 12—Rs. 7-8-0 freight and then these lighterage charges.

Mr. Lalljee.—We give free on board and free on rail; then the freight rate starts from there.

President.—The wagon simply goes into the works and it is loaded and

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that is finished.

Mr. Lalljee.—We have to pay only one more.

President.—Your total transport charge, through the freight is only Rs. 7-8-0, is probably Rs. 12 or Rs. 13 including everything. Their charges are the same, only they have to pay a little wharfage. That is the difference. Supposing the railways reduced the rate to Rs. 13, what happens then?

Mr. Lalljee.—Our loading, freight and Calcutta discharging charges will be 9/8 to 10 per ton. If railway freight is reduced that is better for Okha, and for all Ports and all the Cities in India. If railway administration could really help Industries in that way by reduction in rates.

President.—On your own statement of the case there is no ground for protection. On the contrary there is a case for excise duty of Rs. 5 per 100 maunds on your production! That is what the figures show.

Mr. Lalljee.—I never knew Okha costs were so low and they had so many advantages and therefore I do claim protection because otherwise our salt works are bound to go down as soon as Okha develops. In every item I find that the Okha cost is less. You can see our works when you visit Aden and suggest if we could affect any economy.

President.—On your own figures to-day even at the present price you are not able to substantiate a case for protection.

Mr. Lalljee.—If the present rates prevail I don't ask for protection, but we are not sure of our rates besides we have made a lot of sacrifice for many years.

President.—That is Rs. 65 a ton *ex*-ship per 100 maunds.

Mr. Lalljee.—Yes. I say if any other salt is given protection which will bring down its cost of production then I must have—

Mr. Mathias.—That is your sole claim—not to be differentiated against?

Mr. Lalljee.—I admit that. I don't make a great claim but I do say that if Bengal takes our salt she is also benefited because of this salt trade. They get a better price for their rice, and our salt has been cheapest and has caused reduction in the price of salt.

President.—How?

Mr. Lalljee.—Because of the cheaper freight. At the present moment freights have gone up from Bombay because of the fact that there isn't sufficient cargo available at Aden of salt and the *joari* that we used to buy at Rs. 42 we are offered at Rs. 38 still we cannot send.

President.—What is the freight from Bombay to Aden?

Mr. Lalljee.—Rs. 13.

President.—And Aden to Bombay?

Mr. Lalljee.—There is no cargo coming from Aden to Bombay. The freight will be about Rs. 10 or 11 by special arrangement. Salt is the chief return cargo for India.

President.—Lot of ships come from Aden to Bombay.

Mr. Lalljee.—In ballast mostly.

President.—They should be glad to have some cargo?

Mr. Lalljee.—What commodity will they bring from Aden?

President.—Salt.

Mr. Lalljee.—If we give them salt they will probably bring it for Rs. 5. I am interested in shipping companies also. If salt was brought from Aden to Bombay then they would charge Rs. 6 if Aden to Calcutta was Rs. 8 although the voyage is 7 days whereas the voyage to Calcutta is 18 days. The difficulty in Bombay is that there is no golah. The Bombay coast is all open and there is the risk of smuggling, besides it will create competition in Bombay and may injure Bombay Industry.

Importers' Association.

President.—Now about the letter from the Salt Importers' Association of Bengal, we shall ask them more questions when we meet but two things are admitted, namely that their aim is to fix prices and secondly their aim is to reduce prices when an outsider wants to enter into the market.

Mr. Lalljee.—Yes, but not Indians.

President.—That does not make any difference, as I pointed out to you this morning.

Mr. Lalljee.—I will prove when you are in Calcutta that we have given the Indian enterprise every facility.

President.—When Okha and Karachi begin to manufacture there will be trouble.

Mr. Lalljee.—We want to see first what they manufacture and what is the quality, and how much they will be able to bring.

President.—Do the Salt Importers' Association import on their own account or are they commission agents? What is the practice?

Mr. Lalljee.—The Association has only to meet once a week and fix the prices.

President.—Who does the importing?

Mr. Lalljee.—Each party for himself. Association has no funds and does not wish to import.

President.—This Association consists of men who really buy salt and put it into the market or is it consigned to them by manufacturers?

Mr. Lalljee.—This Association is an association of owners or manufacturers of salt. Our representatives who are in Calcutta represent us at that conference.

Dr. Matthai.—Is it a conference of importers?

Mr. Lalljee.—It is not so. Our agreement is between the proprietors of salt works.

President.—So far as the foreign manufacturers are concerned, they sell through their commission agents?

Mr. Lalljee.—Yes. I have my own firm there and my representative is on the conference. The Italians have their agents, Grahams, who get a commission.

President.—It should not matter to them whose salt they sell so that it may be possible to sell Indian salt if it became available?

Mr. Lalljee.—If they choose they can, and they can even appoint agents in up-country as we have been doing.

President.—Provided the foreign manufacturer gives up his market. But he may say "I will pay you 5 per cent. if you sell my salt" and this other man cannot pay more than 2½ per cent. That might happen under the present arrangement.

Mr. Lalljee.—The present arrangement is amongst the manufacturers themselves.

President.—The foreign manufacturer might say to Messrs. Turner Morrison for instance "we will double your commission; sell our salt in preference to Okha or Karachi salt".

Mr. Lalljee.—Messrs. Turner Morrison as such are not members of our Association.

President.—They are importers?

Mr. Lalljee.—They are not even importers. They are merely agents.

President.—The agents are paid a commission?

Mr. Lalljee.—Yes, just like managers.

President.—Are they paid a commission on the sales?

Mr. Lalljee.—Yes, but it is not a conference of those commission agents but a conference of manufacturers.

President.—The point is this. The Indian manufacturer goes into the market: he has no chance at present and therefore he has got to find his agent. But these other manufacturers who have got their regular agents in Calcutta say to them "don't do any business with these new recruits or else we will take away your agency; on the other hand we will pay you a higher commission for the sale of our salt". In that case it is not possible for the new recruit to come into the market unless he pays a higher commission.

Mr. Lalljee.—It is not that these Commission Agents have got a market in their own hands. It is an open market. Port Said has been changing its agency every two or three years. During the last two years Messrs. Turner, Morrison and Company who are the Agents for the Liverpool for many years have also become agents for the Spanish salt. Formerly they had their own agents.

President.—Do these people get their instructions from London?

Mr. Lalljee.—Yes.

President.—These other people will have their offices in London.

Mr. Lalljee.—The manufacturers Association has got its office in Calcutta as well as in Liverpool. The Managing Director of Liverpool Salt Association is the Secretary of the Owners Conference in London so that every manufacturer can send instructions to Mr. Jackson of Liverpool Salt Association.

President.—He fixes the price.

Mr. Lalljee.—This is with regard to the general policy about fixing of prices. Every agent gets his instruction from his principal by mail or wire and at a regular meeting after discussion they fix the prices at Calcutta with the permission of the manufacturers. They get some information from them. There is the policy laid down. They discuss and fix things up.

President.—Is there any rule followed as regards the imports or do they send shipments at any time as it suits them or according to stocks in the market? How is that regulated?

Mr. Lalljee.—Everybody is given certain quota and he is to import according to his quota.

Dr. Matthai.—Quota for every quarter or for a whole year.

Mr. Lalljee.—For the whole year.

President.—If he imports at the wrong moment he may overstock the market.

Mr. Lalljee.—He won't import at the wrong moment. Every week they meet together and compare their sales and if a man has got extra cargo, he keeps out entirely from selling. If Liverpool salt comes earlier, it might take the chance.

President.—That is the point. Supposing Okha salt arrives in the port with a cargo of say 7,000 tons and there is no other salt coming in that day and the Okha Salt Works says " I have got the market and I will sell at such and such a price ".

Mr. Lalljee.—If he is outside the conference he can sell as he likes provided buyers can be made to believe, that no other salt is shortly coming in.

President.—In order to meet that case what would you do?

Mr. Lalljee.—We wouldn't mind about Okha at all.

President.—Who keeps the balance between the stocks and the demand?

Mr. Lalljee.—Every week our representatives meet in the office of the Bengal Chamber of Commerce. Our Secretary is the Secretary of the Bengal Chamber of Commerce. They meet together from 11 to 1 P.M. They all show to each other the sales they have made, because duties are paid and they adjust on that.

President.—There is some attempt made to adjust stocks.

Mr. Lalljee.—Yes. We don't give any rebates.

Dr. Matthai.—What happens if somebody exceeds this quota.

Mr. Lalljee.—Under our arrangement he ought not to. If he does, then we ask him to go out. It is breach of faith and if he brings one cargo more, we finish with him.

Dr. Matthai.—Quotas are fixed every January.

Mr. Lalljee.—Every year January or August or September. At present we have fixed it in December. But it is subject to being relaxed in the case of outside salt. We put our heads together and find out how much inroad has been made by other salts and who is affected; besides we others who have agencies in the up-country also consult their clients and place their views before the Association. The sale in Calcutta does not entirely depend on Calcutta buyers. We have also to watch the quality of salt coming from Foreign countries and their freight rates.

सत्यमेव जयते

THE ADEN SALT WORKS.

THE INDO-ADEN SALT WORKS.

Evidence of Mr. H. A. LALLJEE, Mr. F. GOULD, Mr. GASPARE BURGARELLA, Mr. ANTONIO GILIBERTI, Mr. G. BURGARELLA, recorded at Bombay on Tuesday, the 4th February, 1930.

President.—Before examining the witnesses I would like to explain to you certain aspects of the enquiry in relation to Aden. I think there has been some misunderstanding on the part of the Aden manufacturers as well as manufacturers in India as regards this. The point that I wished you to understand was this, that if constitutionally Aden is the same in relation to India as the Continent of India then we can make no differentiation between Aden and India. But if there is any difference recognised by the constitution or by the law between the Continent of India and Aden we cannot ignore that. The whole point that we have got to consider is whether there is any difference between Aden and the Continent of India from either point of view, namely constitutional and legal. That is one aspect of the case. But even supposing there was no difference from either point of view, constitutional or legal, I think I made it quite clear before that India was not precluded as a matter of general policy from differentiating between Aden and the Continent of India so far as salt is concerned. That is to say, it might prefer to manufacture its own salt rather than import from outside the continent of India if it was proved that it was to its advantage to manufacture all its salt within the continent of India. There is nothing to preclude it from taking this course by legislation nor are we precluded from making such recommendation if we think that it would be in the national interest to do so. Then again, we cannot ignore the geographical position of Aden as compared with India. Whether you have the same constitution or the same law this geographical position is a thing which has been created by nature for you and if you have any disadvantages connected with your geographical position we have got to take them into account. It is obvious—take the case of Burma—that the geographical position though it may not be recognised in the constitution or by law must play an important part. All that also I think I made clear both to the Aden manufacturers as well as to you, so that the whole question is still open. You have got to show that there is no constitutional or legal distinction between Aden and India. As regards the constitutional aspect we do not propose to go into it; we are not concerned with that. But legally as regards salt or other industries if there was any difference made by the Government of India itself then we must consider that. I may tell you one thing. As you know, so far as the Continent of India is concerned, every part of India including Burma in this case pays the same Customs duty, I mean foreign articles coming to these parts of India are liable to the same amount of Custom duty. That is the position at present.

Mr. Lalljee.—Yes, so far as Customs in concerned.

President.—So far as the continent of India is concerned there is no Customs barrier between one part of India and another. But there is this Customs barrier as regards Aden. As far as we understand the position, if anything is manufactured in Aden itself and exported to India it would be liable to the same Customs duty as foreign goods, isn't that so? I don't express any opinion whether that is right or wrong.

Mr. Lalljee.—So far as Customs is concerned that is the position.

President.—That is to say if you started a mill in Aden and exported textiles to India you would be liable to the same duty as foreign textiles.

Mr. Lalljee.—With regard to that I respectfully differ from you. It is not so. When we were thinking of preparing magnesium chloride in Aden during the war Government wrote to us saying that if magnesium chloride was prepared in Aden from the Aden Salt Works they would not subject us to a duty.

President.—I don't say that Government have not the power to exempt you from payment of any Customs duty.

Mr. Lalljee.—What I want to put before you is this. Aden does not manufacture anything at all. The rules applicable there are rules applicable to transport ports. All things that come from the interior and pass through Aden are foreign articles and it has been declared a free port by Government but the understanding has always been that so far as Aden itself is concerned if it ever produced anything they will never treat it as different from India.

President.—That is a part of the policy. I am talking of the law at present.

Mr. Lalljee.—With regard to that also the position is quite different. Aden does not produce anything. For instance take tobacco. Aden does not grow tobacco, it comes from the interior and therefore it is liable to duty. It is only salt that is produced in Aden.

President.—Whatever might be the reason I am just explaining to you what the law happens to be. I don't say Government has no power to change the law or modify it in favour of Aden, but to-day. . . . . .

Mr. Lalljee.—Yes, so far as tobacco is concerned that is the law.

Dr. Matthai.—So far as any article which is imported into India from Aden is concerned, that article would bear the same duty as articles coming from foreign countries; that is the position at present, is it not?

Mr. Lalljee.—In the case of every article that is brought from Aden the place of origin has to be mentioned and in every Customs bill you will find that the place of origin of each and every article coming to India *viâ* Aden has been the hinterland. The place of origin is insisted on in every case.

Dr. Matthai.—It really comes to this that it is open to the Government to levy a different rate of duty on goods coming from Aden from goods coming from other countries.

Mr. Lalljee.—It is open to Government to do anything.

Dr. Matthai.—The point we are suggesting is that for Customs purposes Aden is a foreign port.

Mr. Lalljee.—The Commissioner here is the Commissioner of Customs, Excise and Salt. I made enquiries and they said Customs has nothing to do with excise and excise has nothing to do with salt, and I may say that Customs has nothing to do with salt.

President.—Take the most outlying part of the Continent of India, Burma. Supposing Burma manufactured salt or any other article and exported it to India. It would pay no Customs duty?

Mr. Lalljee.—I admit it.

President.—But if anything is imported from Aden into India, it does not matter what it is, it is liable to Customs duty.

Mr. Lalljee.—But it has not been liable so far as salt is concerned which is really produced in Aden, nor any other article made out of the salt pans, for instance chlorate of potash or gypsum which we import for manufacturing cement. We are not charged any duty on that. Of course it comes under the Commissioner of Salt, not under the Commissioner of Customs.

President.—He might have given an exemption.

Mr. Lalljee.—I don't think the Sea Customs Act applies to the administration of salt and salt is the only produce of Aden. There is no other article produced in Aden which is a small fortress growing nothing.

President.—I am considering that but I am just trying to point out that as the law is administered at present in Aden, for Sea Customs purposes Aden is treated as a foreign port.

Mr. Lalljee.—I admit, for customs purposes but not for salt. Government have made three distinct departments. Salt is not part of the Customs.

Dr. Matthai.—Surely the duty levied on salt coming from Aden is Customs duty?

Mr. Lalljee.—It is excise duty. In the Government of India budget you will find that Customs is quite different from salt duty. It cannot be treated as Customs duty. Salt duty is quite a different head altogether.

Dr. Matthai.—At present the excise duty on salt is Rs. 1-4-0 and the import duty on salt is Rs. 1-4-0.

Mr. Lalljee.—It is not import duty. I produce my salt in Bombay and on that I pay Rs. 1-4-0 which is salt duty.

Dr. Matthai.—The rate is the same but the duty paid on salt imported from Aden is regarded as Customs duty although it is the same rate as the excise duty.

Mr. Lalljee.—I differ. The salt manufactured in Bombay pays the same duty as Aden salt. Salt manufactured in any part of the country pays the same duty.

Dr. Matthai.—The position with regard to salt is that there is an excise duty on salt produced in India and there is a countervailing Customs duty of the same amount.

Mr. Lalljee.—Salt is an industry by itself which belongs to Government from the very beginning. If you see the history of salt manufacture in Bengal you will find that it was Government who manufactured in the beginning. In Bombay they manufactured it at the beginning and slowly they went on leasing out lands to private people for its manufacture. Even in our leases at Aden they have got a clause to the effect that they can take back the land whenever they like.

Dr. Matthai.—Can you send us this correspondence that took place between you and Government regarding the manufacture of magnesium chloride?

Mr. Lalljee.—I will send it to you.

Mr. Giliberti.—On this question whether Aden is a part of India or not I think, Mr. President, you are trying to establish whether Aden is or is not a part of India taking into account the duty. I dare say constitutionally speaking you are no doubt better acquainted with the subject than I am whether Aden politically forms a part of the Continent or not but before we say that we must examine many other points. In Italy for example there is this salt monopoly and Government exploits the salt trade. There is manufacture of salt in Sicily which is a part of Italy. But if salt is sent from Sicily to any place such as Rome or Naples or any other place we have to pay import duty. So that the mere fact that a particular place has to pay import duty does not prove that it does not form part of that country. We have to pay duty on salt exported from Aden, so do we in the case of salt sent from Sicily to any place in Italy but that does not mean that Sicily is not a part of Italy.

President.—But in Sicily there is no duty on salt.

Mr. Giliberti.—When we sell from Sicily to any port in Italy or to Rome or any other place we pay the duty but politically and administratively Sicily is a part of Italy. I think the same is the case with Aden which pays revenue to the Government of Bombay. The position is just the same in both cases. We have nothing to do with the constitutional problem. The

fact remains that Aden contributes to the revenue of the Government of Bombay; there are a lot of people living in Aden who speak the same language. You must see to their interest; you must see their agreements with the Government of India, so that when we are speaking of Aden, whether it is or is not a part of British India constitutionally speaking, we must take into account the fact that it pays the same income-tax to Bombay, it adds to the revenue of Bombay whether you call it an import duty or excise duty.

President.—Supposing anybody imports from Sicily into Italy, he pays the same duty?

Mr. Giliberti.—Yes more than the foreigners. Of course it is a monopoly.

President.—You give this comparison between Sicily and Italy. Salt manufacture in Italy itself is a Government monopoly.

Mr. Giliberti.—Yes.

President.—A manufacturer in Sicily cannot send salt to Italy without paying the duty and you say that the duty is higher?

Mr. Giliberti.—Only the Government is allowed to buy, because we don't have a free hand. Government says "As I am the only trader having the monopoly, you cannot enter our territory". In the same way the British Government might say that it is its territory.

President.—Supposing India has the monopoly, it can say to Aden 'you cannot come into India'.

Mr. Giliberti.—Yes. As you know the Italian Government has given us rights. It buys the necessary salt from its own manufacturers before applying to a foreigner.

President.—That is the point. Let me put it this way. Supposing Italy doesn't want to buy salt at all from outside and if it wants to produce in Italy itself, then Sicily cannot sell to Italy.

Mr. Giliberti.—I agree. That is the position.

President.—That is the point I am trying to explain. India wants to manufacture all the salt in India itself.

Mr. Giliberti.—Yes, by monopolising. Government has the sole monopoly and may do what it likes, but a private undertaking cannot do. We are all equal between ourselves. We pay the same rate of duty and therefore we must have the same rights. The very basis of the civil constitution is that.

President.—How does Italy buy from Sicily? How does it fix the price?

Mr. Giliberti.—It fixes the price according to the requirements. It doesn't want to lose money. Its monopoly is not like yours to get the salt to the consumer as cheaply as possible. It is to the contrary. Its monopoly is intended to earn money.

President.—That I understand. Prices are very high in Italy.

Mr. Giliberti.—That is another thing.

President.—When Italy wants to buy from Sicily some salt, how does it fix the price?

Mr. Giliberti.—It also gets from outside giving a very fair price.

President.—It would pay a higher price than it would pay for the imported salt.

Mr. Giliberti.—Yes. I can give you figures from Sicily. It is like a premium.

President.—Have you got your works in Sicily?

Mr. Burgarella.—Yes, since my grandfather.

President.—Do you manufacture salt in Sicily?

Mr. Burgarella.—Yes.

President.—How is the price fixed? Just give me an idea.

Mr. Burgarella.—We sell the salt to Government. We get more from the Government than we get in Norway.

Dr. Matthai.—Sicily is part of Italian monopoly.

Mr. Giliberti.—No. It is a free port in regard to salt.

Dr. Matthai.—When Government wants to buy salt from Sicily, it gives a certain price.

Mr. Giliberti.—Yes.

Dr. Matthai.—Before it puts the salt into the market, it charges a higher price.

Mr. Giliberti.—Yes, it has the monopoly.

Dr. Matthai.—Now the margin between the price paid to the Sicilian manufacturer and the price realised by Government is the profit that Government makes.

Mr. Giliberti.—Yes, Government has to incur expenses too. The idea of the monopoly is to have revenue. Otherwise everybody would have been left a free hand.

Dr. Matthai.—And the price that the Government pays to the Sicilian manufacturer would be higher than the price paid for the salt exported.

Mr. Giliberti.—Yes.

Mr. Mathias.—How is it fixed? Do you bargain or quote to Government?

Mr. Giliberti.—There is no question about bargaining.

Mr. Mathias.—It is a customary price which doesn't vary from time to time.

Mr. Giliberti.—Yes.

Mr. Mathias.—Does the Government buy the same quantity each year?

Mr. Giliberti.—Just the same, because the consumption in Italy is very great.

Mr. Mathias.—Government sells it to the shops?

Mr. Giliberti.—Yes, they sell direct to the shops. Tobacco also is a monopoly.

Mr. Mathias.—Are there Government shops?

Mr. Giliberti.—No.

Mr. Mathias.—Does Government control the price?

Mr. Giliberti.—Of course by means of Customs Officers.

Mr. Mathias.—You mean some sort of Government inspection.

Mr. Giliberti.—Yes, weekly or monthly according to circumstances. They go there whenever they like.

President.—In Italy the price of table salt is 7,000 lira per ton.

Mr. Giliberti.—Yes.

President.—Government makes such a big profit on the salt that if it paid you one rupee more per ton than the foreign salt, it is not going to lose very much. Here of course Government wants to sell the salt cheap.

Mr. Giliberti.—Yes. We are endeavouring also to sell it cheap to the Indian Government. It is only a question to see whether Aden is part of India or not. We are not entering into the question of price.

President.—But you realise this much that is one of the points we are considering. You may well say that Aden should be given preference over foreign countries.

Mr. Giliberti.—Of course.

President.—If India itself manufactures the salt, India has the first claim, is it not so?

Mr. Giliberti.—That is a constitutional point.

President.—Supposing either Government did itself or under Government control somebody else did it?

Mr. Giliberti.—We can't help it. If Government doesn't monopolise the salt, we can I think claim that we have just the same treatment as the Indian people.

President.—But the principle is this: if the Government of India like Italy wants to produce salt?

Mr. Giliberti.—It may do what it likes.

Mr. Lalljee.—I don't consider Indians residing in Aden in any way different from Indians in any other part of India.

President.—We are not discussing that point, Mr. Hosseinbhoy. Can you preclude the Continent of India from manufacturing all the salt that it wants for the benefit of Aden? Do you go as far as that? Supposing it was possible to produce all the salt in India that India requires, would you then say that it must not produce it?

Mr. Lalljee.—In that case Aden should not form part of India. Aden should not be called upon to pay even the sinews of war and all the liabilities that the Bombay Government or the Government of India will incur by borrowing loans or otherwise and making Aden responsible in every way. If Aden is cut out from Bombay, then it is a different thing altogether. When you say that A residing in Aden or B residing in Bombay or C residing in Calcutta should pay all the taxes to the Government of India and bear all the war expenses and all incidental charges and be asked and required to do like anybody else, why should he be handicapped in any way?

Mr. Giliberti.—There is another thing. Both ourselves and Mr. Lalljee hold leases from the Bombay Government. It is clearly written in our note. We are not allowed to sell wherever we like. We cannot sell the salt in Arab littoral without the special permission of the Government. Then where are we to sell our salt? We are merely lessees. After our leases expire, the Government will take over our works, because the Bombay Government is the proprietor of our salt works. In these circumstances how can the Government say 'Aden is not part of India'? Supposing Government say Aden is not part of India, Government have given absolutely nothing in return for all the taxes that we pay to the Government of this country. We are paying the Indian income-tax and the taxes on our profits. If we are compelled not to enter the Indian territory, do you think it is fairplay? Therefore I insist upon my point of view.

Dr. Matthai.—You would admit that the position would be somewhat different if the Government policy definitely was that the Continent of India should be made self supporting in the matter of the Salt industry, that is to say from a national point of view the Continent of India should be able to produce all the salt required. If that was the policy of the Government of India, then that policy cannot be carried out except to some extent by differentiating against Aden.

Mr. Giliberti.—Yes, but not considering us as foreigners. We are Indian subjects as far as our works are concerned. We could not say that we could not reply to your questionnaire. Mr. Lalljee is an Indian subject.

Dr. Matthai.—In places situated in the Continent of India it is important for national purposes that all the salt required by people in India should be produced here in the mainland. Supposing that was the policy, then you are compelled to make some difference as against Aden.

Mr. Giliberti.—Government may change the constitution. You say instead of changing the constitution they will give us the ratio. As far as our business interests are concerned, we say we don't think that a Government after having given us a lease, after having treated us as Indian subjects and after having compelled us to pay some duties as Indian subjects would put us in such a condition. It may be that the Government of India may for military purposes say that the Indian Continent must produce its

own salt. But it cannot shut us completely out, because we are Indian taxpayers. I don't think it is possible to say so.

Mr. Gould.—You ask if the Continent of India could produce the salt that India required it would be open to her to shut out Aden if necessary?

Dr. Matthai.—Yes.

Mr. Gould.—In that case would you also shut out Burma?

Dr. Matthai.—Assuming the position was that Burma itself could produce all the salt that it required the problem would not arise.

Mr. Gould.—In the Aden question and the Continent of India, would you include Burma as part of the Continent of India?

President.—Burma is part of the Continent of India.

Dr. Matthai.—The Indian manufacturer would not receive protection against the Burman manufacturer.

President.—We are not civilised enough to have railway communications between India and Burma. So long as Burma is connected with India constitutionally, it must be regarded as part of India.

Mr. Lalljee.—Burma is connected with India also geographically.

President.—Yes, but Aden is not.

Mr. Giliberti.—Then, the other question is the Customs duty in Aden.

President.—I must explain to you this much. As far as we have been explained the law, Aden is a foreign port for Customs purposes and that is the position to-day. Mr. H. Lalljee will admit that. Therefore it is open to the Government of India to levy the same duty—whether it is salt or anything else—on everything coming from Aden. Whether the Government will do or ought to do it is not for us to say. Government can say that it can do but that it will not do so or it may say "we will do it", or as my colleague has just said Government may want all the salt to be produced in the Continent of India and so it may say "we manufacture all the salt required by the country and we shut out all the salt coming from outside". It is open to the Government of India to do that.

Mr. Giliberti.—Government must change the law then. If they want to protect the Salt Industry, it is open to them to give protection by means of the Customs duty. But if it is by any other means, then it would be difficult to afford protection without changing the law.

Dr. Matthai.—Even then it is not necessary to change the law. Under the existing law it is open to the Government to have one excise duty in Madras and another in Bombay or any other place.

President.—I just want to know a little more about the Italian monopoly. Government owns its own salt works in Italy.

Mr. Giliberti.—Yes.

President.—Those salt works are worked by the Government.

Mr. Giliberti.—It is all Government manufacture.

President.—And no private manufacture?

Mr. Giliberti.—No.

President.—Then, Government fixes the price at which the salt is sold in the country. Is that right?

Mr. Giliberti.—Yes.

President.—How many works are there?

Mr. Giliberti.—In Sicily?

President.—In Italy.

Mr. Giliberti.—About 4 or 5 factories.

President.—They have one in Sardinia?

Mr. Giliberti.—Yes. But they produce less than enough for the consumption of Italy.

Mr. Burgarella.—Government find that it is cheaper to buy from Sicily than to manufacture the salt itself.

President.—The Italian Government is not the only exception. All Governments have to pay more. There are only three qualities in Italy *viz.*, table salt, white crushed and kurkutch.

Mr. Giliberti.—Yes, only three qualities.

President.—They don't say that this salt is from Sardinia and that salt from other place and so on. They only say that it is table salt, white crushed or kurkutch.

Mr. Giliberti.—Yes. The poor man uses the kurkutch quality.

Mr. Burgarella.—For cooking purposes, it is not necessary to have fine table salt.

President.—White crushed is 1,200 lira?

Mr. Giliberti.—Yes.

President.—Kurkutch is 700 lira?

Mr. Giliberti.—Yes. There is a great difference between the two qualities. Government have intentionally kept such a big difference between these two grades of salt. The cheaper quality is for the common people, whereas the superior quality is for rich people—high class people—who can afford to pay more.

Mr. Mathias.—Is kurkutch used for cattle?

Mr. Giliberti.—Yes, but not for manuring.

President.—In this country you cannot keep such a big difference.

Mr. Giliberti.—That is the Indian policy.

President.—Take for instance the difference between Liverpool salt and the Aden salt. Supposing you keep such a big difference in India between these two salts as obtains in Italy, everybody would use kurkutch, *i.e.*, the cheaper quality.

Mr. Giliberti.—That may be.

President.—Supposing Government fixed the prices in this way Rs. 2,000 for table salt, Rs. 1,200 for white crushed and Rs. 700 for kurkutch, everybody would use kurkutch.

Mr. Giliberti.—Yes.

President.—The kurkutch quality is sold specially at a very low price?

Mr. Giliberti.—Yes, at the cost price. The other refined salts are being sold at very high prices. The high class people would not buy kurkutch.

Dr. Matthai.—It is simply a way of taxing people according to their capacity.

Mr. Giliberti.—Yes.

Dr. Matthai.—You charge a higher price for the salt consumed by the higher class.

Mr. Giliberti.—Yes.

President.—Can you buy kurkutch and crush it and sell it?

Mr. Giliberti.—No.

Mr. Burgarella.—Of course it would be easy to do if one wanted.

Mr. Mathias.—Can't they do it with their own heads with a pestle and mortar?

Mr. Burgarealla.—Yes.

Mr. Giliberti.—But you can't get such good quality as the white crushed salt. It will look very different unless you screen it.

President.—Supposing Government thought that for other reasons India must make its own salt—of course we do not know when India may be able to produce all its salt—supposing the time comes when India is able to

produce it at about the same price as Aden or any other port and then Government says " no more salt from outside the Continent of India " and supposing you are right that Government have not the power to declare that Aden is not part of India—we are assuming that Government cannot make any distinction between Aden and India—but it still wants the salt to be manufactured in the Continent of India: supposing that is the position? Then, you have these leases in which there is a clause by which Government can take back or acquire the property? What would you say if they exercised that power?

Mr. Lalljee.—They will have to make out a case that it is for the public good.

President.—They are the final judges in the matter.

Mr. Lalljee.—In that case, we will have no other alternative.

President.—I want to put it to you this way. What the Government may do is they may acquire these from you and close them down if they want to, or instead of closing them down it may say that if anybody else wants to manufacture salt there it will sell them to such a person. Would you prefer that the Government should close them down or would you prefer to retain the works and sell your salt outside the Continent of India?

Mr. Lalljee.—There is no other market for Aden.

President.—It is for you to consider. Government can always acquire the property and then re-sell if it likes.

Mr. Lalljee.—And then re-let you mean?

President.—Yes.

Mr. Lalljee.—Government will have to pay compensation to us. After paying us, they can take the works over and re-let them. But so far as I have studied the question, I may tell you that Aden has no other market except India.

President.—Why should it be so?

Mr. Lalljee.—I will tell you why.—We have looked into this question as to where we could sell our salt. At present we can produce more but we are not doing so because we cannot find any market. The only principal market barring India is East Africa and other places near by. Formerly we used to sell in East Africa. But now in the Italian Protectorate they have started their own works; so have they started their own salt works in British Protectorate, and the other places are going to be supplied from the salt works at Ras Hafun. So, these places are all practically closed. Only two markets are left open to us. Japan also takes a little quantity of salt for fish curing purposes.

President.—You have got the whole of China.

Mr. Lalljee.—I am coming to that. In China they manufacture their own salt, and they do not purchase any from us. So far as Japan is concerned, they are buying the salt only for fishery purposes, but now they are trying to produce the salt in the Formosa Island. As regards the markets in Java, Singapore, etc., the Dutch Government is starting a separate salt works.

President.—What it comes to is this. Government won't be able to resell or re-let the works.

Mr. Lalljee.—We have been stopped from selling the salt even in the Arabian Littoral.

President.—These will have no marketable value.

Mr. Giliberti.—If the Indian market is closed to us, the best thing is to give up the works absolutely. If we go to Italy, they will say ' Aden is not part of Italy '. If we come to India, you say ' Aden is not part of India '. So, the only alternative before us, after having been the pioneers, is to close down the works.

President.—Government have made provision in the leases that if it likes it may acquire the property.

Mr. Lalljee.—It is in all the leases that Government gives. It can acquire the property or take over the land any time for a public purpose.

President.—Of which it is the sole judge.

Mr. Lalljee.—I admit that. At the same time I must take this opportunity of telling the Board that after all that the Government had said about giving facilities and markets being available, if it took over the salt works nobody would touch the Government leases hereafter. I have 18 years' experience in this trade. What about the two salt works that have recently been made? One has spent Rs. 12½ lakhs and another Rs. 8½ lakhs. Before they are able to make any money, Government are going to acquire the property. If they do so, we cannot have any faith in the Government's *bonâ fide* intentions.

President.—As you know, according to the law money is sufficient compensation for any human loss.

Mr. Lalljee.—If you give us compensation, we will agree. But it is left to the Government to see whether they want commerce or industry. As far as I am concerned I will get compensation. Of course it is for Government to consider what compensation they are going to give.

President.—That will be according to the terms of the lease.

Mr. Lalljee.—That condition was put in in case a railway or something like that was put or anything was done for public purposes. All I can say is that after all the assurances given to us by Government about facilities and markets and so on, it they now take over the salt works, that will affect all Government leases in the future. Nobody will touch Government leases.

President.—Supposing Government also felt that you should not be treated in this way; supposing Government took that view. It then says "We want this industry to establish itself in the Continent of India. If we give Aden the same advantages as the Continent of India, the whole industry may establish itself in Aden because it is more favourably situated". If that is the position would you be prepared to consider a limitation of manufacture in Aden?

Mr. Lalljee.—As a business man who thinks that India does want a lot of help in the development of industries I should say that is a fair proposal. At present we have got a certain amount of trade into our hands. It is a well known fact that for our business purposes we have got to confine our activities within certain limits and that it is always advisable that give and take should be our policy. I should be content if a fair proposal is made.

President.—What is a fair proposal?

Mr. Lalljee.—With regard to that I may say—I am expressing my personal view because as to the other salt works and the Italian Salt works it is for them to say—looking into the whole question I should be satisfied to have any economic rate that would give me a fair return, on say 1,15,000 tons although I put down my production at 1,50,000 tons.

President.—You have never produced as much as that?

Mr. Lalljee.—We are developing still; in 18 years it has come up to something like 75,000 tons.

President.—You want 115,000 tons; what about Mr. Burgarella?

Mr. Burgarella.—I shall be satisfied with my present output. It is not impossible to increase it. We must give room to India's new industry. Our present output is 1,25,000 tons.

President.—What about the other two works?

Mr. Lalljee.—From their reports I find that each claims to be able to produce about a lakh of tons but I should put it down for each of them at 60,000 tons as the maximum.

President.—That is another 120,000 tons.

Mr. Lalljee.—They have to spend a lot yet and if they don't spend, then 60,000 each will be all right.

President.—That makes a total of 360,000 tons and therefore the Continent of India gets 140,000 tons on the present figures.

Mr. Lalljee.—If Burma is not to be taken into account we will reduce it.

President.—Burma is altogether 60,000 tons.

Mr. Lalljee.—The total that was taken in Calcutta and Burma last year was 630,000 tons and we two had 40 per cent. of that and further the other Aden works had some share.

President.—There is about 30,000 tons of Bombay salt and Madras salt.

Mr. Lalljee.—About 20,000.

President.—Supposing we took 500,000 tons as the Bengal demands?

Dr. Matthai.—Leave out Burma for the present.

Mr. Lalljee.—In that case I would reduce my quantity by 20,000 tons. That will mean 85,000 tons. Mr. Burgarella will have to reduce his share by 30,000 tons.

President.—And the others?

Mr. Lalljee.—They have not got the Burma market.

President.—That is about 300,000 tons. What it comes to is this, that 3/5ths must go to Aden and 2/5ths to India. I really ask you if India would be prepared to consider that?

Mr. Lalljee.—That is only so far as the Bengal market is concerned. The Bombay people have got the Bombay market; Madras have got the Madras market, Punjab have got the Punjab market, Central India has its own market and therefore taking India as a whole this quantity is very small because three parts of India are self-supplied where we don't ask for a single percentage.

President.—You can take what you like out of that. The whole point is this. This enquiry has been undertaken because there is a demand in India that it should produce its own salt and you come forward with a proposition by which it can't do it except to the extent of 2/5ths of the whole.

Mr. Lalljee.—My submission is this, that India should be supplied with all its requirements by Indians wherever they may be. Why should India of Madras be different from India of Bombay?

President.—I am looking at it from this point of view. You have never manufactured anything more than 75,000 tons and you are now putting forward this claim that you can produce 150,000 tons and you ask for 115,000 tons. If the conference had lasted it is doubtful whether it would have ever got 115,000. We are now considering the question from the national point of view and you ask for 115,000 tons, a claim which the conference would never have admitted.

Mr. Lalljee.—I have maintained from the very beginning that Aden salt and Indian salt must be given a free chance. We have come to this figure of 75,000 after 18 years.

President.—How many years would it take you to get up to 150,000 tons.

Mr. Lalljee.—I can do it within three years.

President.—After all-India may take this view that your attitude is not reasonable because you are asking for something which would really mean that the industry must be established in Aden at the expense of India. I am putting it to you from India's point of view, why should India make any sacrifice to promote the interest of Aden?

Mr. Lalljee.—Because I am Indian and my every farthing goes to India.

President.—The whole point is this. If India cannot manufacture more than this quantity, say 200,000 tons, it might well say it is not worth bothering about; we should leave it as it is. Why should India give assistance to the industry for promoting the manufacture of salt in Aden?

Mr. Lalljee.—It is the figure of these two other works that is troubling me.

President.—I am asking you, why should you ask for more?

Mr. Lalljee.—I am asking for 85,000 in place of 75,000 tons.

Dr. Matthai.—Against your present output of 75,000 tons you are really asking for 115,000 tons. If imports had been allowed to come freely into India it is doubtful whether you could have reached that output by now.

Mr. Lalljee.—It was only due to the fact that we wanted to have no trouble about the marketing that we agreed to that, but I am prepared to say that in the interest of the Indian industry the Aden Salt Works can produce economically to the extent of 125,000 tons to the advantage of all concerned.

Dr. Matthai.—Supposing for the purpose of promoting the salt industry in India it was decided to restrict imports coming from foreign countries, then what you are suggesting is that not only your existing output but a considerable share of the market which used to be supplied by imports before should go to you.

Mr. Lalljee.—I admit it. I submit that the amount of the existing market which I have captured at the present moment is the very beginning of my work. I have not yet come to my full growth. If you want that it should be a little less costly salt I am prepared to reduce it still further, the cost must depend on the production and that is why I ask any quantity.

President.—Supposing we took your cost on the basis of the present production, on that footing why do you want to increase it?

Mr. Lalljee.—If you give me the last three years average I won't do it. I read that somebody from Karachi wanted last two years price. If that is so it is a very good proposition and I give you an assurance that at that figure I won't increase a single ton. At the present price I may tell you we are not making any profit.

President.—You do according to your costs.

Mr. Lalljee.—I differ from you. May I submit that the total consumption of Assam and Bengal was 640,000 tons. Assuming we took 80,000 of Burma out the balance would be 580,000 tons and our share of that will be 250,000 or 40 per cent. and nothing more. At present we have got 42 per cent. and we are accepting 45 with two new works added in the near future and our proposal is fair, you must look to the cost of salt because our salt is consumed the most as it is the cheapest.

President.—I just want to put it to you this way that as far as possible it would be better if these questions were a little more simplified. If you insist upon increasing production that way, you create a difficulty which after all may not be worth the trouble it may cause. How much do you send at present into the Bengal market including Chittagong?

Mr. Lalljee.—76,000 tons. This year I have not sent anything to Rangoon. They (Italians) send to Rangoon as well.

President.—Would it not be better in order not to complicate the issues to take the last two or three years average sales in the Bengal market including Chittagong, but excluding Burma for the moment? When we deal with Burma, you can raise that question.

Mr. Lalljee.—I would agree, but what would be the rates?

President.—It is not a question of rates just now. We are now concerned with the quantities.

Mr. Lalljee.—The whole thing will depend on whether my cost will be reduced or not. I am not anxious to produce more if I get my return, and if that be the only object of the enquiry.

President.—At present you are producing 75,000 tons. You calculate the cost on 75,000 tons. What does it matter to you?

Mr. Lalljee.—In that case I don't mind.

President.—How much have you sent to Bengal during the last three or four years.

Mr. Lalljee.—75,000 tons. We have not sent anything to Burma.

President.—So far as the Bengal market is concerned, would you be satisfied with 75,000 tons?

Mr. Lalljee.—Yes, although unwillingly.

President.—Supposing we wanted to proceed on these lines that the industry should as far as possible be allowed to go on, it might be a possible solution. Will you then be satisfied with your 75,000 tons? Take two or three years average and supposing your costs are calculated on the average production and you are given a share which corresponds to an average in the Bengal market, would you be satisfied? Supposing we took 75,000 tons on those figures?

Mr. Lalljee.—You can put it at 75,000 tons.

President.—What about Mr. Burgarella?

Mr. Burgarella.—100,000 tons.

President.—Supposing we didn't want to disturb the present industry in Aden, what figure should we take? 100,000 tons would be your average. Do you agree to that?

Mr. Giliberti.—Yes.

President.—Now two other works remain. What is the output of the other two works?

Mr. Lalljee.—I say it would be very unfair for me to say for them. Their output is at present 20,000 tons. They both think that they could make one lakh of tons.

Dr. Matthai.—In reply to the questionnaire Little Aden says that their works if worked to full capacity could manufacture 30,000 tons of white salt.

Mr. Lalljee.—You can then take it like that. Their capital investment is less up till now.

Dr. Matthai.—Roughly it amounts to 200,000 tons for the Bengal market from Aden.

President.—Now I understand your position. So far as you are concerned you would be satisfied with 75,000 tons and Mr. Burgarella with 100,000 tons for the Bengal market?

Mr. Lalljee.—Yes.

Mr. Burgarella.—Yes.

Mr. Lalljee.—I put it the other way about. We have given you these figures. Are we to look to the other market for the rest? If so, until India produces, we should not produce more.

President.—No. Supposing Government said that you should not import more than a certain quantity into this part of the market?

Mr. Lalljee.—In that case it may be like this. Of course after the Tariff Board has reported or immediately thereafter, we may not try to expand our salt works.

President.—It is unnecessary for you to do so.

Mr. Lalljee.—We will keep the works stationary with the result that we will not think of any further extension in that market. We won't invest anything more for increased production. Do you think that within one or two years or five years after the Tariff Board has reported, if we agreed to this quota,—I am only asking your opinion—India would be able to produce the balance?

President.—How can I say?

Mr. Lalljee.—We may rely upon this and not expand our factory.

President.—It is impossible for any one to say how long the industry would take to develop itself.

Mr. Lalljee.—You have been to Karachi, Khewra and other places. May we take it that if the Tariff Board reported and Government agreed that this quota should be fixed, India would be able to supply immediately after that.

President.—It depends on how they go about it. If they go on proper lines, I should not think it would take a very long time. Khewra can produce 100,000 tons within a very short time.

Mr. Lalljee.—There is 100,000 tons. 300,000 tons are coming from outside.

President.—Government controls the largest works in India to-day. If the Government chooses it can produce the whole quantity in its different properties. As far as we can tell at present it has got Sambhar, Pachbadra and it has got other sources in Rajputana. Supposing Government decides to work them and Karachi and Okha is also developed, it may take a very short time.

Mr. Lalljee.—May I put it like this. We agree to this provided all salts are produced in India, I suppose this quota business is not for the purpose of restricting our supply and purchasing the remainder of the requirements of India from foreign countries. If India is not able to produce, I don't agree to this quota of 75,000 tons. It may not be taken from me. To-morrow you may buy from Mussawah and I won't get an economical rate, because I have not been allowed more than the quota of 75,000 tons. I don't increase my output. My people get out of employment and I reduce my staff.

President.—We have discussed the question of the marketing organisation or any other Government monopoly or anything else. There are two ways. Government can say that it might give you these quantities that we have mentioned just now. As regards the rest supposing it has got to buy from abroad, it might give you a preference or it might say 'you can tender with others'.

Mr. Giliberti.—It would be unfair.

Mr. Lalljee.—That is not fair. Supposing the Government are acquiring the salt works, if you put 75,000 tons as the limit, it will not be fair. I agree to 75,000 tons as being the limit on the assumption that I will get the average rate of the last three years.

President.—What do you mean? As you know, our method is not that. Our method has nothing to do with what the prices are in the market but everything to do with what the fair selling price is.

Mr. Lalljee.—Assuming you fixed the rate at Rs. 45?

President.—You know how the Tariff Board would fix the rate.

Mr. Lalljee.—It would not be an uneconomical rate so far as the Tariff Board is concerned, but I do not know at what point Government would fix the rate.

President.—We are not concerned with the Government. I cannot say anything on behalf of Government.

Mr. Lalljee.—The only qualification I would like to make in that connection is this. I accept this 75,000 tons provided I consider that the rates would be somewhere about the average of the rates of the last three years. I don't say that it should be exactly the average but that it should be about the average.

President.—We are not considering the question of prices just now. I am asking you as regards quantities. I have made this point clear to you.

Mr. Lalljee.—If you really fixed a lower rate, I must produce more to meet that.

Dr. Matthai.—Assuming that the price that you got on your 75,000 tons would leave you a reasonable profit?

Mr. Mathias.—Say Rs. 65.

Mr. Lalljee.—It must be more than Rs. 65 and not less than Rs. 65.

President.—We shall calculate and find out. You know how we calculate the fair selling price. Did we not do it in the Match Industry? Therefore

you know the principles upon which we act. It has got nothing to do with what you got in the last three or four years. You will simply get a price which we consider a fair selling price taking into account depreciation, profit and everything. That is the price at which, supposing this arrangement comes about, you are expected to sell, and if you don't sell Government will be at liberty to buy anywhere else. That is the point. Would you accept 75,000 tons on those conditions?

Mr. Lalljee.—With the fair selling price I would accept.

President.—By fair selling price I mean the fair selling price as we calculate.

Mr. Lalljee.—Yes.

President.—And not the fair selling price which you consider fair. There is a lot of difference between the two.

Mr. Lalljee.—I would not have bothered about that at all but for the fact that there is a clause in my lease.

President.—What is the clause?

Mr. Lalljee.—The clause by which the Government can acquire the works after paying me compensation. I am afraid that any admission that I make here might go against me.

President.—If the Government were to take over the property, they would pay you according to the terms of the lease.

Mr. Lalljee.—In the lease, the clause relating to compensation only mentions fair price.

Dr. Matthai.—In your lease it is either the value of construction or the value at the time of resumption whichever is less.

Mr. Lalljee.—It is subject to many things.

President.—Supposing Government enforced the covenant to acquire the salt works, Government must act according to the terms of the covenant. Government cannot act otherwise; nor can you insist upon anything else. That question does not arise.

Mr. Lalljee.—Quite so.

President.—I want to be quite clear on this point. Supposing we say ' Aden ought to have so much and your share is 75,000 tons ', will you agree? As regards the price we have to determine the fair selling price.

Mr. Lalljee.—It should not be less than the price for the Indian salt. You may say ' For Aden we think that this is a fair selling price but for any other Indian salt we consider that the fair selling price ought to be a little more '.

President.—Why not?

Mr. Lalljee.—We must get a fair selling price which would be equal to the Indian salt. In your argument you always said that you could not make any difference in prices. Everybody should have most economical prices. Take the case of Mussawah. It should not be Rs. 1-2-0 to one and Rs. 1-2-3 to another. You can fix a price which is economical taking into account the production of all.

President.—Supposing the Indian price is lower, will you take that price?

Mr. Lalljee.—Yes, if it is going to give them a fair return.

President.—For the same quality of salt.

Mr. Lalljee.—For my quality of salt.

President.—The price must depend on the quality. For the same quality of salt your contention is that you must get the same price. If the Indian salt is superior it is entitled to get a better price.

Mr. Lalljee.—Yes, it must be superior in the sense that it is superior in the market.

President.—The market is a fool in this case.

Mr. Lalljee.—We are catering for the market; we are not catering for any individual patronage.

President.—Whatever standard we fixed as regards quality you would abide by the decision of the Board or Government subsequently. As regards prices it would be according to the quality as they fix it and not according to the rate prevailing in the market. The market has nothing to do with it.

Mr. Giliberti.—We can produce also a better quality of salt.

Mr. Lalljee.—We can also produce a better quality.

President.—Your contention is that quality for quality you should not get a lower price.

Mr. Lalljee.—I admit that.

President.—Subject to that, you agree to this arrangement.

Mr. Lalljee.—Yes, for the purpose of enabling India to produce its own salt; not to allow foreign imports.

President.—When we say prices, there are three or four prices *viz.*, price *ex*-works, price f.o.b., price c.i.f. and price *ex*-gollah. It should be open to Government to buy the salt at any price it likes.

Mr. Giliberti.—We have the means to load the salt into the ship.

President.—Government can and will pay you for that service.

Mr. Giliberti.—Then, we must keep the transport facilities.

President.—Government will say that they will pay you f.o.b. or *ex*-works —whichever is cheaper.

Mr. Giliberti.—It follows that we must continue to maintain tugs, lighters, etc.

Mr. Lalljee.—Their plea is this. They have built a pier which they have to maintain. We have also a pier. They have a fleet of tugs, lighters, etc. But we have arrangements with a contractor by which, if we ship a certain quantity, we get favourable rates, whereas if we are restricted, we won't get that advantage and will be handicapped in regard to the rest of the production, which goes to Burma and other places.

President.—Whatever be the arrangements which Government may make, they have to compare the prices. They may buy from you at so much f.o.b. and from another man at so much *ex*-works. Take the case of Karachi. Karachi charges for loading may be higher and your charges may be lower, but your freight may be higher and theirs may be lower. Therefore the whole thing has to be arranged in such a way that the prices become comparable.

Mr. Lalljee.—So far as our shipments are concerned, our lease says on export salt we have to pay royalty and there is also a condition that on the export of salt we have to pay so much of toll tax to the Port Trust. Therefore so far as we are concerned, f.o.r. or c.i.f. should be a fair basis.

President.—But the Government may say ' we would pay f.o.b. '.

Mr. Lalljee.—We would agree to sell f.o.b., c.i.f. or *ex*-gollah.

President.—I see. You mean that the f.o.b., c.i.f. or *ex*-gollah prices would be comparable.

Mr. Lalljee.—Yes. The best of all is c.i.f. or *ex*-gollah. As I have pointed out already, we get our rice cargo from Burma and consequently we get a freight advantage in that respect. That freight will suffer under the arrangement that you propose now.

President.—We cannot bind the Government or the organisation or anybody else who may buy this salt because they may prefer to make their own arrangements. If you supply them a cheaper freight, they will take it from you.

Mr. Lalljee.—I am looking at it from my point of view, and as a shipper of rice from Burma and Bengal.

President.—We are only concerned with the manufacture of salt.

Mr. Lalljee.—I, as an Indian, have to consider the whole trade of my country.

President.—I am not going to consider that.

Mr. Lalljee.—You may not, but I have to.

President.—This Board cannot consider anything outside the matter under enquiry.

Mr. Lalljee.—It is only the shipments from Burma that help me to get the freight. Even to-day I depend upon my Indian shipping more.

Dr. Matthai.—You mean you take the rice to Aden.

Mr. Lalljee.—Yes. Last year I took nearly six boats.

Dr. Matthai.—The total cargo will be about 40,000 tons.

Mr. Lalljee.—Yes.

President.—Here are the samples of various salts. Let us see whether you are able to pick out which is your salt.

Mr. Lalljee.—Nos. 23 and 24 are like ours.

President.—You get different prices. The Aden Salt Works people get one rupee more.

Mr. Lalljee.—But the quality is the same. No. 24 looks like our salt.

Mr. Burgarella.—No. 23 looks to be like ours.

President.—Are there any other bottles which contain your salt? Which do you consider the most inferior? First of all I want to know which is your own salt.

Mr. Gould.—No. 23 is Aden; 23 and 3 are Indo-Aden.

Mr. Giliberti.—I don't see anything of our salt.

Mr. Gould.—No. 32 is very much like Aden karkach.

President.—Of these salts which do you consider the most inferior? In the market which of these will fetch the lowest price?

Mr. Lalljee.—My salt.

President.—Am I to take it that of these Nos. 2, 3 and 4 would be considered the most inferior in the Bengal market?

Mr. Gould.—Nos. 4, 24 and 23 look to be the most inferior.

President.—Now we will go on with the answers to the questionnaire. Mr. Giliberti, you say here that your Company is registered. Is it a private company?

Mr. Giliberti.—It is a family company. It is registered with the Chamber of Commerce at Aden.

President.—It is not registered under the Indian Companies Act?

Mr. Lalljee.—They are registered for the purpose of income-tax. For the purposes of income-tax partnerships have to be registered.

President.—It is a partnership, not a private company?

Mr. Giliberti.—It is a partnership of members of the same family.

President.—Now, Mr. Lalljee will tell you that he is against foreign capital in this country; that is, it is not to our national interest to have foreign capital here. Isn't that your view Mr. Lalljee? They say that all the business of the country ought to be in Indian hands under Indian control; they must be registered rupee companies and there must be 75 per cent., or at least a reasonable majority of Indian directors and shareholders. Are you prepared to agree with this view Mr. Giliberti?

Mr. Giliberti.—Yes. But we cannot do that just now because it is forbidden in the lease. I think under the Indian Companies Act there must be more than 21 members to form into a Company.

President.—The law does not matter. You can have a company all right The whole point is that it is the opinion of the Indian community of which Mr. Lalljee is a prominent member that it must be a company registered under the Indian Companies Act.

Mr. Giliberti.—I quite see that.

President.—Then there must be Indian shareholders. Mr. Lalljee asked for 75 per cent. in another enquiry: I don't know what percentage he will require now.

Mr. Lalljee.—If it is to be formed I would stick to all those conditions.

President.—Supposing we gave the industry any special assistance then we must think of these conditions. This is not my view. This is the view of the Indian community. Are you prepared to be registered as a company having Indians as shareholders and appointing Indians as Directors with a majority of each?

Dr. Matthai.—Under your indenture you can assign the lease to a Company, can you not?

Mr. Giliberti.—The answer is difficult. I don't know if the other members will be willing to do it. Of course if that is the law we have to accept the law.

President.—I don't think there is any such law but there is a demand on the part of the Indian community that foreign firms doing business in this country must be registered rupee companies and that they must have a majority of Indian directors and Indian shareholders, but the Assembly when it gives any assistance to any industry generally stipulates that it shall be an Indian Company registered in India with rupee capital with a reasonable number of Indian directors upon it and with reasonable opportunity to Indians for training. These are the conditions on which Government gives assistance. Supposing it was a case of imposing a duty that question would not arise, but supposing it was a question of purchasing your salt at the same price as Indian salt then they may expect you to comply with these conditions and I think Mr. Lalljee as President of the Indian Merchants' Chamber may find his position difficult because he is not enlightened by you on that point.

Mr. Lalljee.—I quite agree that that is the view of the Indian Chamber and that is my personal view still.

Mr. Giliberti.—We can't say anything at this moment because there are many interests to be consulted.

President.—I am only putting before you the view of the Indian community and that of the Assembly. If we were to make a special recommendation and if you are not able to comply with these conditions yours may be a rather difficult case. British firms have to comply with the same conditions, it does not affect you alone merely because you are an Italian firm. Any non-Indian firm who asks for special assistance is expected to comply with these by the Legislature and the Indian public.

Mr. Giliberti.—I can only go back to Italy and then give you an answer because I have got to consult others who are interested in it.

President.—The Board will be in Aden at the end of March and you can let the Board know what your views are at Aden.

Mr. Giliberti.—Yes, when the Board is there we can give our answer. I will go straight to Italy and get in touch with the people there and let you know when you are in Aden.

President.—If you are able to say that you would be able to comply with these conditions in the event of any special recommendation to be made . . .

Mr. Giliberti.—What would be the proportion of Indian directors in such a case?

President.—So far as the Assembly has expressed its opinion, there is no fixed percentage, but they may fix it, I don't know.

Mr. Giliberti.—There is no difficulty about that but the difficulty is about the shares.

President.—The Indian opinion has asked for a majority. So far the legislature has not accepted that. The legislature has said that there should be a reasonable proportion of Directors and so on.

I want to know exactly how much kurkutch do you export to the Bengal market?

Mr. Giliberti.—20,000 tons.

President.—Mr. Lalljee, how much do you export?

Mr. Lalljee.—It would be about 20 to 30 per cent. or 14,000 tons.

President.—You are not very keen on selling kurkutch.

Mr. Lalljee.—Of course we have a crushing plant; still we would like to get some. The proportion may be changed.

President.—We have no actual figures. But most of the kurkutch that goes into the Calcutta market is Aden kurkutch. Sometimes they get Spanish kurkutch.

Mr. Lalljee.—Yes, mostly Aden. Bombay salt is also called kurkutch. When there is scarcity of Bombay salt or Madras salt for some reason or other, they take a lot of the Aden kurkutch.

President.—Kurkutch is chiefly imported from Aden, Bombay and Madras.

Mr. Lalljee.—Yes.

Mr. Mathias.—Apart from the kurkutch being used in the Nadia District, what is it mainly used for?

Mr. Gould.—For consumption.

Mr. Mathias.—For human or cattle consumption?

Mr. Gould.—For human consumption.

Mr. Mathias.—I am told that practically all the imported kurkutch is used for cattle. I have not been able to verify that.

Mr. Lalljee.—No, it is not true. It is mostly for human consumption.

Mr. Mathias.—On the other hand some people tell us that it goes to Nepal where salt is sold by measurement and not by weight.

President.—So far as the fixing of prices go, the difference between kurkutch and crushed salt is the cost of crushing.

Mr. Giliberti.—Yes.

President.—If it is inferior kurkutch, you won't get the same grain of crushed salt.

Mr. Lalljee.—Our salt that is taken out of the pans is kurkutch and we crush it. Ours is one quality. It is not made separately. As the salt comes out from the pans it is kurkutch and mostly we crush it. Sometimes we don't crush it and we simply send it to Calcutta. That is called kurkutch.

Mr. Mathias.—Kurkutch contains a large percentage of magnesium chloride and other impurities and it is difficult to crush. I am not referring to your kurkutch. I am referring to Tuticorin kurkutch.

Mr. Lalljee.—You are quite right.

Dr. Matthai.—Have you any idea how much you produced during the war years? What was your total production? Was it above 130,000 tons? Did you ever reach 150,000 tons?

Mr. Giliberti.—No, never. The maximum that we produced was 144,000 tons and that was in 1923. This year we will get about 120,000 tons or 130,000 tons, because we have suspended our works to improve our salt. The more you put there the more you get. So the output is sometimes twice the actual. We have restricted the output or rather stabilised the output. The difference in output is due to floods.

Dr. Matthai.—That was in 1927 when it went down to 114,000.

Mr. Giliberti.—In 1926-27 we had the floods. The result of the floods was felt up to last year, because the silt could not be removed all at once. Now the output is increasing.

Dr. Matthai.—About 130,000 tons you can produce normally.

Mr. Giliberti.—Yes.

President.—I showed you the samples. I asked you which was the most inferior. You took out the Aden stuff which was the most inferior of the

lot. There are many varieties here which are made in India. I think that also is borne out by the chemical analysis.

Mr. Lalljee.—You mean the quantity of magnesium chloride.

President.—Yes.

Mr. Lalljee.—So far as sodium chloride is concerned, we are better than Bombay, Tuticorin and many others. We are better than Mussawah.

President.—I am talking of Indian salt. Mussawah is not here.

Mr. Lalljee.—We are better than Okha.

President.—So far as these samples go and those that we have examined, you may be better than Mussawah, but I am comparing the Indian salts with the European salts that we have here.

Mr. Lalljee.—What Indian salts?

President.—I am just coming to that. Supposing this is your quality (sample shown), can you improve it?

Mr. Giliberti.—We can to some extent.

President.—Can you make this quality No. 29?

Mr. Giliberti.—It is moist.

President.—Look at the colour and fineness.

Mr. Giliberti.—The grain is proportional to the moisture. When the salt is very dry, the grain is fine. It is just a question of machinery. There will be no difficulty about that.

President.—Yes, but it would cost more.

Mr. Giliberti.—Not very much.

President.—It contains more sodium chloride and it contains less moisture. Therefore the man who buys that salt will get better value for his money than when he buys your salt.

Mr. Giliberti.—Yes, if you take per ton. We can do just the same.

President.—Will you be able to supply at the same price?

Mr. Giliberti.—At the same price.

Mr. Lalljee.—A little more we want.

President.—Yours is called Aden fine.

Mr. Burgarella.—Yes.

President.—According to our analysis your Aden fine contains on the dry basis 92·86 sodium chloride and 3·53 of moisture. This other salt that I showed you just now (No. 29) contains 94·44, *i.e.*, 1·5 more sodium chloride and 1·90 of moisture. That is nearly half. In order to raise your quality to that level, how much more would it cost you? First of all can you make that quality?

Mr. Giliberti.—I think so.

President.—I want to know how much more it would cost.

Mr. Giliberti.—I think about As. 4 a ton.

Mr. Lalljee.—About As. 4 to As. 8 per ton.

Mr. Mathias.—Say Rs. 2 per 100 maunds.

Mr. Giliberti.—Yes.

Mr. Lalljee.—In my present consignment I have put in 2,000 tons like this.

President.—Spanish salt I take it is also by solar evaporation.

Mr. Giliberti.—Yes.

President.—That is very superior.

Mr. Giliberti.—They take the salt from the bottom of a silted lake and this salt comes out with mud. They are compelled to wash it before crushing.

President.—It is not done by solar evaporation.

Mr. Giliberti.—Yes on the lake.

Dr. Matthai.—Are you speaking of Spanish salt?

Mr. Giliberti.—Yes. Here we have a reservoir. (Design shown.) The salt pans are about 1 feet deep. Washing the salt improves the quality.

President.—Can you do it?

Mr. Giliberti.—When we get the salt from the brine, we can do so.

President.—This is done by solar evaporation.

Mr. Giliberti.—Yes.

President.—It contains nearly 99 per cent. of sodium chloride.

Mr. Giliberti.—Potassium carbonate is removed by means of washing the salt. They will get it in the washing water.

President.—Your sodium chloride is 92·3 per cent. Can you raise it to 99 per cent.?

Mr. Giliberti.—It is very difficult. We can only raise it to 94 per cent. which would be reasonable. I don't think we can get such a quality as the Spanish salt. If we are to manufacture that kind of salt, it would be very costly.

Mr. Mathias.—How do they manage to get such a good quality in Spain?

Mr. Giliberti.—By washing the salt.

Mr. Mathias.—Can you do it?

Mr. Lalljee.—Yes.

Mr. Giliberti.—If you look at the salt taken just from the pans, it will appear dirty. There are many impurities in it.

Dr. Matthai.—Are the pans in Spain deeper?

Mr. Giliberti.—Yes, there is a lot of water in the lake.

Dr. Matthai.—The difference is that in Spain the pans are deeper.

Mr. Giliberti.—Yes, much deeper.

Dr. Matthai.—The washing can be done better.

Mr. Giliberti.—Yes.

President.—This salt that I showed you contains no magnesium chloride.

Mr. Giliberti.—It is the washing that has removed that.

President.—It is not exactly a question of washing. But more care is taken about precipitation.

Mr. Giliberti.—No. They don't take any more care about precipitation than we do. On the contrary we take much more care about precipitation.

President.—Up to what degree do you take magnesium chloride—30°?

Mr. Giliberti.—28°. It begins to precipitate at 28°.

President.—It would stop that.

Mr. Giliberti.—Yes.

President.—Still you get a lot of magnesium chloride.

Mr. Giliberti.—If you took the salt from the lake and analysed it you would not get such good results. If you look at the salt as soon as they have taken it from the bottom of the lake, you will find many impurities, and it is the washing that removes all those impurities.

President.—Can you reach that percentage of purity?

Mr. Giliberti.—No.

President.—Would your limit be 95 or 94 per cent.?

Mr. Giliberti.—Not more than 94 per cent.

President.—At what cost can you make it?

Mr. Lalljee.—About Rs. 2 per ton.

President.—To increase it to 94 per cent.?

Mr. Lalljee.—Yes.

President.—Washing, crushing, etc., will cost you about 4 to 8 annas

Mr. Giliberti.—Four to eight annas for everything.

President.—If you are to reach 95 per cent., how much would it cost you?

Mr. Giliberti.—I think it is difficult to reach 95 per cent.

President.—Your ordinary quality is 93 per cent. Now you want to make it 94 or 95 per cent.

Mr. Giliberti.—To reach 95 per cent. it is necessary to have some special plant to dry it. Therefore I cannot say at this moment what the cost of the plant is and what will be the cost of running it.

President.—You can do up to 94 per cent.

Mr. Giliberti.—Yes. But I am afraid we could not reach up to 95 per cent. with our present equipment.

President.—You will have to have a special drying plant, and a special grinding plant.

Mr. Giliberti.—Yes, such plants as the Spanish people have.

President.—Do you dry it on a conveyor belt?

Mr. Giliberti.—That costs very much. There are many ways of drying the salt. We may have many facilities according to the output of the salt pans. In Thrapani they use a plant for a very small quantity but for 100,000 tons that kind of system cannot be put into practice.

President.—Port Said is 95·64 per cent.

Mr. Giliberti.—It is easy for them because they have got a much greater stock of dried salt.

Mr. Lalljee.—They dry it too much. My brother who had been to Port Said and other places told me that the Port Said quality could be prepared with very little more cost.

President.—How much more would it cost you?

Mr. Lalljee.—One rupee a ton.

Mr. Giliberti.—Port Said salt is a good quality salt. They keep it for 4 or 5 months for drying it. They have this advantage. They have a lot of land and they keep it for a much longer period than we do.

President.—Can you crush it to any point of fineness?

Mr. Giliberti.—Yes.

President.—Will that add to your cost?

Mr. Giliberti.—Of course it will.

President.—If you were to crush your salt, can you crush it as fine as No. 29?

Mr. Giliberti.—We can do it.

President.—Will it add to your cost?

Mr. Giliberti.—Yes. As the output will become less, the cost will be more.

President.—It will cost more.

Mr. Giliberti.—Yes.

President.—How much more would it cost?

Mr. Giliberti.—I could not say off hand.

Mr. Lalljee.—I will put it at a rupee more.

President.—That is for crushing.

Mr. Giliberti.—To prepare the salt and to crush it.

President.—What salt do you think this No. 29 is?

Mr. Burgarella.—It looks like our salt.

Mr. Lalljee.—Some of these salts have been cleaned.

President.—Did you clean and put them in the golahs?

Mr. Lalljee.—No.

Mr. Giliberti.—It is something like Mussawah.

President.—You say you can get up to that quality.

Mr. Giliberti.—Yes.

President.—You say that it would cost a rupee per ton more.

Mr. Lalljee.—Yes.

President.—As regards over 95 per cent. it would cost you a good deal more?

Mr. Giliberti.—Yes.

Mr. Lalljee.—More but not very much more.

Mr. Giliberti.—We have not made a trial.

President.—The bulk of the salt that is sold in the Bengal market is more or less the Aden quality.

Mr. Giliberti.—Yes, that is the salt that is required by the people. The Indian people have preferred our salt.

President.—Your estimate is one rupee.

Mr. Lalljee.—Yes.

President.—Supposing you were asked to produce that quality you would expect one rupee more per ton.

Mr. Lalljee.—Yes. Aden, Port Said, Mussawah, all these salts are one quality.

President.—At the top come Liverpool and Hamburg.

Mr. Lalljee.—Yes, and also Spanish.

Mr. Mathias.—You manufacture this quality because the market requires it.

Mr. Lalljee.—Yes, because people take it.

Mr. Mathias.—Am I right in thinking that the salt is a trifle inferior because the market wants salt at a low price and on the whole it is more profitable to produce a somewhat lower grade salt.

Mr. Lalljee.—It comes to that.

Mr. Mathias.—Although there is a difference in the chemical analysis so far as health is concerned it does not matter at all?

Mr. Lalljee.—That is so. I don't understand why the poor people should be made to pay 2 rupees more honestly speaking.

President.—Supposing you spent one rupee more and made this quality could it sell at about the same price as Liverpool, Spanish or Hamburg?

Mr. Giliberti.—Never. Liverpool is another thing but it can sell in competition against the Spanish at about the same price.

Mr. Lalljee.—My experience of the Calcutta market has been that the cheaper the salt—provided the difference in quality is not large—the more will people buy that salt because it is not at all injurious to health and they have to pay a rupee or two less for it.

President.—At what difference will Liverpool salt sell in the bazar. We understand that Rs. 6 or 7 is about the difference and that if the difference is bigger they will take your salt.

Mr. Lalljee.—If the merchant can save one rupee with my salt which covers all his brokerage and so on he will be prepared to buy my salt and sell it in retail. That is the point. We can go up to Mussawah, Port Said and everything else except Liverpool and Hamburg.

President.—Supposing we wanted to make all salt of the same grade you can produce the same quality, that is to say you will have to change your mills. Supposing Government were to prescribe a test of fineness and sodium chloride content can you manufacture according to that test?

Mr. Lalljee.—Yes.

Mr. Giliberti.—Yes, up to 94 and 95 per cent. I don't think the market requires salt above that percentage from us.

President.—As regards grain?

Mr. Burgarella.—That might be expensive.

President.—What is your opinion Mr. Burgarella, that No. 29 would never sell at the same price as Liverpool?

Mr. Giliberti.—No. There is moisture in it. There is nothing to compete with Liverpool.

Mr. Mathias.—They will take either Liverpool or Hamburg.

Mr. Giliberti.—Yes.

President.—The man who sells Liverpool salt can pass off that salt to consumers as Liverpool?

Mr. Lalljee.—They can in the districts because of the fact that they look to the colour only. If it is white they take it as Liverpool. It is only the colour that they are particular about.

President.—If it is white they take it as Liverpool?

Mr. Lalljee.—White, dry and fine. If there is any dampness in it they will say it is not Liverpool, it is Aden. In the districts the qualities are known as Liverpool and Aden. Even Hamburg Vacca can be passed as Liverpool.

Mr. Mathias.—And therefore the cheaper the salt the more you can sell in the districts but not in the towns?

Mr. Lalljee.—That is so. The difference in qualities is at once noticed in Calcutta but not so in the districts.

Mr. Mathias.—In all these grades, Hamburg Vacca, Liverpool or Spanish?

Mr. Lalljee.—Spanish is between all. It is sometimes mixed with Liverpool and sometimes it is mixed with Aden and sold as good Aden. In the districts there are only two qualities Liverpool and Aden.

Mr. Mathias.—We want to get a little more precise information if possible. Supposing you were expected to give 94 per cent. sodium chloride and that grain I have showed you in No. 29, how much more would you expect?

Mr. Lalljee.—One rupee is quite sufficient for me but I may tell you that in the districts they are not so much keen on the grain.

Mr. Mathias.—Supposing this was put in the market, would it be sold as Liverpool or Aden?

Mr. Giliberti.—We will call it extra fine Aden.

Mr. Mathias.—Can you convert the whole of your salt into this?

Mr. Giliberti.—It will take at least one year to do that. We have got to make it drier.

Mr. Lalljee.—We mostly crush our salts after two months. Our Italian friends have been keeping it for 4 months. If we keep it for 5, 6 or 8 months it will be equal to any salt except Liverpool, but that would cost a good deal and a lot of space and for crushing we will require 8 mills. Now we have six. That means crushing charges of 4 annas and loss of interest on the stock.

President.—You will have to have better storage facilities.

Mr. Giliberti.—We have lot of land there.

Mr. Lalljee.—Once we brought a cargo of salt which was kept for 8 months before crushing and that salt was even mixed with Liverpool, it was so good.

President.—I take it when you have 94 per cent. sodium chloride you can almost crush it as fine as you like except that it won't be like Liverpool, Hamburg or Spanish.

Mr. Giliberti.—It will be something like Spanish but not like Liverpool.

Mr. Lalljee.—The same thing as regards Hamburg Vacca.

President.—What is No. 2. Can you make salt like that?

Mr. Burgarella.—No.

President.—This is Indian salt!

Mr. Lalljee.—You can't have it in large quantities.

President.—How much of it do you want? It is Khewra salt.

Mr. Burgarella.—What is the analysis of this salt?

President.—98·79 per cent. sodium chloride. You said that sometimes you have storms in Aden. How often do you have that?

Mr. Giliberti.—Once in ten years I think.

President.—Do you have dust storms?

Mr. Giliberti.—Very little of it.

President.—You have given your production as 1,25,000 tons per annum. That is including condensers and pans. Have you got a single set of condensers?

Mr. Giliberti.—More.

President.—You have a reservoir and then you have condensers and from there you take to the crystallising beds. You don't have any series of condensers?

Mr. Giliberti.—That is the process. But between the condensers and the crystallising beds there are pans.

President.—What is the proportion of your crystallising area?

Mr. Giliberti.—1 : 6 or 1 : 7.

President.—We will now go into these costs. We will first take up this question of the block. Mr. Lalljee, you have valued your works at Rs. 17 lakhs and these gentlemen have done it, including their lighterage, at 40 lakhs of rupees.

Mr. Giliberti.—Yes, with lighterage, machinery and so on.

Mr. Mathias.—You say in 1923 you were required to make a declaration as to the value of your works.

Mr. Giliberti.—Yes, that was for probate duty. That was for succession.

President.—You valued it at Rs. 40 lakhs. Did you value it yourselves?

Mr. Giliberti.—Yes, but the officers there agreed to it to give us succession certificate on that basis.

Dr. Matthai.—I take it the valuation was based on your original value and profit?

Mr. Giliberti.—Yes. All our pans are made with stone.

President.—What area have you got?

Mr. Giliberti.—About 1,100 acres.

President.—Your mud walls, have they got stone in them?

Mr. Giliberti.—In some places stone and some mud.

President.—Your mud walls are the same as theirs, Mr. Lalljee.

Mr. Lalljee.—No. They have condensers and crystallising beds, they have two sets with stone pavement.

President.—Part of the difference in the capitalisation will come in under that.

Mr. Lalljee.—Yes. Less repairs and cleaning. They can run the water freely. We get a little trouble over that.

Mr. Mathias.—Have you got stone channels?

Mr. Lalljee.—Not all. The bunds only and not the bottom.

Mr. Mathias.—The Aden works are laid out to produce better salt than yours?

Mr. Lalljee.—There is not much in that, but the facilities are better.

President.—Don't you keep any account of what you have spent on it?

Mr. Giliberti.—No.

President.—What about Mr. Hooseinbhoy? You also have kept no account of how much money you have spent. You said so in your evidence.

Mr. Lalljee.—We have got regular account books. We are spending and writing off. All the brothers are partners. We value it and then take it in the new accounts.

President.—It is very difficult for us to make an estimate of what the capitalisation ought to be.

Mr. Lalljee.—You have the latest figures of Hajeebhoy's and Pallonjee's. They are both joint stock limited concerns and their figures are not far off from ours. Within the last 4 years Hajeebhoy Salt Works have spent 12½ lakhs of rupees and they produce about 20,000 to 25,000 tons. If you see our works and compare it with theirs, the price we have put will be found to be much less for overheads.

Mr. Mathias.—I don't understand the difference between your capital account and the Aden Salt Works capital account—Rs. 17 lakhs and Rs. 40 lakhs. The difference seems to be very great.

Dr. Matthai.—You consider your total capacity as 120,000 tons and they consider their total capacity as 150,000 tons. But the difference in capital expenditure is out of all proportion to the difference in output.

Mr. Mathias.—The Aden Salt Works have got more stone facing.

Mr. Lalljee.—Yes. They have a fleet of lighters.

Dr. Matthai.—That is a very small item.

Mr. Lalljee.—It is for them to say.

Dr. Matthai.—Your explanation is working on the basis of 99 years you have had to make your structure more substantial.

Mr. Burgarella.—Yes.

President.—You are charging here 5 per cent.

Mr. Burgarella.—Yes.

Mr. Lalljee.—I can give you the figures that the Income-tax authorities have allowed.

President.—We don't believe in them.

Mr. Lalljee.—My income-tax was assessed in Bombay and they have allowed much less.

President.—What have they taken the value of the property?

Mr. Lalljee.—They have taken the value at about Rs. 17 lakhs. They have allowed much less depreciation than Aden.

President.—How much depreciation they have allowed?

Mr. Lalljee.—They have only allowed me 2 per cent. I only gave them figures showing the repair charges and they didn't allow me depreciation or anything.

President.—They have allowed you sufficient to cover your repairs.

Mr. Lalljee.—I admit that I should have put that in.

Mr. Giliberti.—We are in a better position about the running costs because we are producing 125,000 tons and they are producing 75,000 tons. The more we produce the less will be the cost.

Dr. Matthai.—Your works cost excluding the capital charges are considerably less.

Mr. Giliberti.—It must be so. The larger you have the factory the lower the cost. About works labour they are just the same.

Dr. Matthai.—It is really pumping and crushing.

Mr. Giliberti.—Yes.

President.—Do you think the price that you have given here is reasonable for you? Supposing Government were to pay you that price free on board, you would consider that reasonable?

Mr. Burgarella.—Do you think that 6 per cent. is a very fair rate of interest in such a climate?

President.—What do you consider you would be satisfied with?

Mr. Giliberti.—I think 10 per cent. would be a fair interest.

President.—You suggest that instead of 6 per cent. you should be allowed 10 per cent.

Mr. Giliberti.—Yes.

President.—Beyond that you don't claim anything.

Mr. Giliberti.—There is depreciation.

Mr. Mathias.—If you look at your various items, works reservoirs, canals, condensers, salt pans, there is no depreciation on these, because you do current repairs.

Mr. Giliberti.—We have expenses to keep them in working order.

Mr. Mathias.—What depreciation need you have on those? You repair them every year and you charge your current repairs account.

Mr. Giliberti.—Ask Mr. Lalljee what loss he incurred on account of the floods.

Mr. Mathias.—How much loss did you incur on account of the floods? Do you insure your works against floods?

Mr. Burgarella.—No insurance company will undertake to insure against the floods.

Mr. Mathias.—How many floods have you had during the last 20 years?

Mr. Burgarella.—Two.

Mr. Mathias.—Even if you allowed for the damage done twice by the floods in 20 years, 5 per cent. on your works reservoirs, canals, etc., would give you in 20 years the whole cost. It is unlikely that you have to incur an expenditure of Rs. 31 lakhs if you have two floods.

Mr. Burgarella.—We have machinery also.

Mr. Mathias.—That is another matter. I am only talking of works reservoirs, canals and so on.

Mr. Burgarella.—For machinery we require 5 per cent.

President.—If you class it as buildings, you would be entitled to 2½ per cent.

Mr. Mathias.—When your lease expires, you have got to hand over the works to the Government.

Mr. Burgarella.—Yes.

Mr. Mathias.—Have you no option to extend your lease?

Mr. Burgarella.—No.

Mr. Mathias.—Is that also the case with you Mr. Lalljee?

Mr. Lalljee.—We have 30 years and 30 years renewal. They had 100 years. They have spent 40 years and have got 60 years.

Mr. Mathias.—When you have had your second renewal, will you then have to hand over your works to the Government?

Mr. Lalljee.—Yes.

Mr. Mathias.—Without any compensation.

Mr. Lalljee.—At the end of 60 years we will have to hand over the works without any compensation.

Dr. Matthai.—On sluices, gates, piers, etc., you charge 5 per cent.

Mr. Giliberti.—Yes. We always repair the piers. The charge on the piers is very heavy. We must dredge the canal, because it is impossible for our lighterage to go out.

THE ADEN SALT WORKS AND THE INDO-ADEN SALT WORKS.

Continued on 5th February, 1930.

President.—I take it that so far as you are concerned—so far as the Aden manufacturers are concerned—unless protection is given to Indian salt you don't ask for any. So far, you have not asked for it and there does not appear to be any case for it on your figures.

Mr. Lalljee.—There is no case for protection as the position stands at present, but from our representation and that of Hajeebhoy Salt Works you will see that we are going to ask for protection, if Government do not give it, in view of the new salt works that are being constructed in various places near Aden. The two salt works that have been completed are at Ras Hafun and at Assab.

President.—What is the capacity of each?

Mr. Lalljee.—The capacity of each is more than 100,000 tons per year. So far as Ras Hafun is concerned, recently information has reached us that all the money required has been found by the Italian Government with practically little or no interest.

President.—It is very difficult for an industry to establish a case for protection when it is threatened with competition. It is very unlikely that the Government can provide against a contingency which has not arisen.

Mr. Lalljee.—The contingency has already arisen.

President.—So far as your prices go at present you are well able to compete in the Calcutta market.

Mr. Lalljee.—Yes, at the present moment as we are situated.

President.—I am asking you about the present.

Mr. Lalljee.—Yes, I know. When a Board of enquiry is sitting on behalf of the Government of India am I not justified in pointing out how we are situated and what our apprehensions are? When the conference broke up, you were actually in Calcutta. The reason for the breaking up of the conference was that Messrs. Lionel Edwards took up an outside agency. It was Port Said that objected to their taking up the agency of an outside salt and went out. Now if Port Said, Ras Hafun and Assab were to compete in the Calcutta market, the price would come down to even Rs. 35. Then, the position would become serious not only for Aden but also for others.

Dr. Matthai.—Have these people completed their works?

Mr. Lalljee.—Yes. The first cargo is expected every moment. It is for that reason that Port Said left the conference and it is for that reason that one of the Directors of the Port Said Company is coming down here to give evidence. We have to-day been informed that as soon as the ship starts unloading the rate will be brought down to something like Rs. 40 or Rs. 45.

Mr. Mathias.—Am I right in understanding what you are asking for is some sort of protection against foreign salt—some sort of Imperial preference —because you have not mentioned Port Sudan?

Mr. Lalljee.—I don't want to mention Port Sudan. Port Sudan is not intended to compete in the Indian market. It may be that some little surplus may come to India, but it is not with the intention of competing in the Indian market that the salt works is developed there.

Mr. Mathias.—It is against some special sources that you are asking for protection or are you asking for protection generally?

Mr. Lalljee.—We want protection against the foreign manufacturer making inroads into our market here. These gentlemen who are present to-day will bear me out when I say that the Italian Government has loaned to those companies a very large amount of capital at a nominal or no interest.

President.—Is that a fact Mr. Burgarella?

Mr. Burgarella.—Yes.

Mr. Giliberti.—Yes, at a very low rate of interest.

Dr. Matthai.—Is Ras Hafun on the Arabian or African coast?

Mr. Lalljee.—On the African coast just opposite to Aden.

President.—Have you mentioned these foreign ports in your representation?

Mr. Lalljee.—Yes, Ras Hafun, Assab, Mussawah, D'Jibouti, etc.

President.—Those are new works?

Mr. Lalljee.—Ras Hafun and Assab.

President.—Therefore either their costs are very low or they are prepared to suffer a heavy loss.

Mr. Lalljee.—I will make it quite clear. Their Government want that port to be a port of some importance for many reasons. In order to support that port, they have given so much capital at a nominal rate of interest.

President.—How do you know? We always hear of Government doing many things. When it is a question of giving proof, it is not proved. We cannot go on hearsay evidence. Have you got tangible evidence that the Italian Government is at the back of it. We were told in many cases that the German Government subsidised steel freights and the Japanese Government subsidised something else and thousand and one other things. When we wanted evidence, there was very little forthcoming.

Mr. Lalljee.—This is a reliable information. You can place on it as much value as you like. I will even go further and say that if those salts were sold in the Calcutta market at uneconomical rates, just as Port Said is selling now, we as Indians would certainly claim protection from the Government of India.

President.—What is the rate at which Port Said is selling now?

Mr. Lalljee.—At Rs. 50.

Mr. Gould.—They have not actually come down to Rs. 50 but I am told that they will be coming down to Rs. 50 shortly.

President.—I suppose some gentlemen there would make money.

Mr. Lalljee.—Whatever it is, the whole question is that if you want us to make out another case for a further hearing by the Tariff Board we will do so, but since you are already here and at it, we have taken the opportunity of placing before you what our fears are.

President.—What do you think is the lowest price at which they can sell? Can you fix any limit?

Mr. Lalljee.—Do you mean the economical rate at which they can sell?

President.—In competition?

Mr. Lalljee.—I have already given you one instance. In my own case, all these gentlemen sold at Rs. 32 when I first brought out my salt. The rates were brought down from Rs. 65 to Rs. 32 and were kept at that level for 8 months.

Mr. Mathias.—That was a long time ago.

Mr. Lalljee.—The fact remains that the rates were brought down from Rs. 65 to Rs. 32.

Dr. Matthai.—Have you any idea of the price at which the expected consignment is coming?

Mr. Lalljee.—We have no idea.

Dr. Matthai.—You will be able to know in about a fortnight.

Mr. Lalljee.—Yes, as soon as the consignment is in.

President.—When did the first cut of Rs. 7 take place?

Mr. Lalljee.—About the middle of December.

President.—Your contention is that you cannot fix any limit.

Mr. Lalljee.—No.

President.—They cannot go on suffering heavy losses all the time.

Mr. Lalljee.—I admit that they won't go on incurring losses, but one does not know how long they will do so. That is why we want protection against dumping.

Dr. Matthai.—Is the main market for these two works likely to be India?

Mr. Lalljee.—There is no other market for them.

Mr. Mathias.—The lowest limit to which they could come down is Rs. 32. Do you think that they can even go below Rs. 32?

Mr. Lalljee.—That had been my experience. Whether they will do the same thing now or not I cannot say.

Dr. Matthai.—As far as you can see, the only way in which they can reduce the cost is that they have been able to get their capital at a very low rate of interest. There is no other respect in which they are likely to have any advantage over you.

Mr. Lalljee.—I do not know whether they have to pay any royalty which we pay to the extent of nearly 8 annas. I do not know whether they pay any municipal taxes as we do.

President.—We can say that if a man wanted to sell his salt without any loss, he could sell it at so much from the economic point of view but how far a man would go down in order to capture a market would depend very largely upon his resources.

Mr. Lalljee.—That is what I say.

President.—So, we must have some evidence with regard to their resources.

Mr. Lalljee.—The resources behind Ras Hafun Salt Works are the Italian Government.

President.—Is there any understanding between the salt manufacturers and the shipping companies as regards freight?

Mr. Lalljee.—With regard to Ras Hafun?

President.—Yes.

Mr. Lalljee.—No, not to my knowledge.

President.—Do shipping companies import salt or not? Do you know? You are not aware of any I take it.

Mr. Lalljee.—I have heard that there is some arrangement between the Liverpool Salt Association and some shipping company. Recently there has been arrangement between the Italian line and Port Said.

Mr. Giliberti.—The German salt is coming to India in German bottoms. There may be some understanding.

President.—I want some evidence. We have no evidence except that Port Said has got a very big reserve. How can a new company have any reserve?

Mr. Lalljee.—The new company at Ras Hafun is backed by the Italian Government.

President.—Supposing Government gave all the money without interest, the limiting factor is the cost without any profit.

Mr. Lalljee.—I think so.

Dr. Matthai.—If their costs are not higher or not lower than yours there is a definite limit at somewhere near Rs. 45 below which they cannot go.

Mr. Lalljee.—That is quite right. All the taxes that we pay per ton come to Rs. 1-8. If they have not to pay those taxes there would be a substantial difference in costs leaving aside other questions.

President.—What is the lowest price since the war that the Aden salt has reached?

Mr. Lalljee.—The present one, *viz.*, Rs. 50 to Rs. 52

President.—That is *ex*-ship.

Mr. Lalljee.—That is *ex*-golah.

President.—Rs. 52 is not the *ex*-golah price now.

Mr. Lalljee.—I am sorry. The recent sale price was Rs. 52 *ex*-ship and Rs. 55 *ex*-golah.

Mr. Mathias.—Previously you reached Rs. 46 *ex*-ship and Rs. 52 *ex*-golah.

Mr. Lalljee.—Not after the war. Before the war we reached even Rs. 32.

Mr. Mathias.—Not after the war?

Mr. Lalljee.—No. I understand that sales have been made recently in Calcutta by certain parties on condition that the maximum rate would be Rs. 55 *ex*-golah and the minimum would be the competitive rate prevailing in the market at the time. That is to say, the buyer has not got to pay more than Rs. 55 but during the fortnight when the ship will be discharging its cargo, if the rate comes down to say Rs. 45, the buyer need pay only Rs. 45. At these rates, sales have been made.

Mr. Mathias.—That is a special contract.

Mr. Lalljee.—It is being done. I hope during the next fortnight you will have a lot of information both from newspapers and others.

Dr. Matthai.—Supposing for argument's sake the position was that the present prices were the lowest prices that could be reached by the foreign salt—supposing that was the position, would you ask for protection?

Mr. Lalljee.—These prices do not give us a fair return.

President.—You mean the price of Rs. 55.

Mr. Lalljee.—Rs. 55 *ex*-golah does not give us a fair return.

President.—Is there any chance of the salt being given away with a present of something as they did in the case of freight war? Can they go as far as that?

Mr. Lalljee.—My own firm was responsible for that. It was about 40 years' back. We had five steamers. We did it and then the others followed.

President.—Is there any chance of your being able to sell your salt like that?

Mr. Lalljee.—These are not the times to do so. We do not expect that things would become as bad as that. It might come to that if we were left to the mercy of outsiders. But we hope that Government would intervene in time.

Dr. Matthai.—In your own case what is the lowest price *ex*-ship with which you will be satisfied?

Mr. Lalljee.—Rs. 60.

Dr. Matthai.—Rs. 60 *ex*-ship?

Mr. Lalljee.—Yes, if it is to give me a fair return. In the opinion of experts, within the next 15 years, the wages will go up by 25 per cent.

President.—But the efficiency of labour might increase.

Mr. Lalljee.—Efficiency in the Textile Mill Industry may come about with education and with less use of liquor, but in our case the sun won't become a little more powerful, and we depend on that a lot. Labour efficiency in our case is not of much importance.

President.—When there is a serious competition, you may have to give up your depreciation, your profit and everything if you are to keep your head above water.

Mr. Lalljee.—We will have to do it. On top of all this, the maternity benefit and workmen's compensation Act have been made applicable to Aden. In this session of the Council there may come up question of providing free primary education to the children of the workmen by the employers.

President.—Do you think that the whole burden would fall on the manufacturers?

Mr. Lalljee.—These things will raise the cost.

President.—In other countries they have got these.

Mr. Lalljee.—I am not talking of any part of Europe.

President.—Your contention is that the time has arrived as far as you can tell us when even Aden may require protection?

Mr. Lalljee.—Yes, it is necessary, at present.

President.—Supposing protection was given, could you tell me of a time when you could do without it? There is always this objection as regards salt that even if we give you protection, as soon as the protection is removed competition will start again; can you do without any protection then?

Mr. Giliberti.—We shall have to. We will do it.

President.—Supposing competition starts again the same as now; won't you go up to Government and say "give us a subsidy"?

Mr. Giliberti.—We have now learnt our lessons; when we get protection we will keep reserves and won't squander away the money.

President.—Supposing we gave you a return of 10 per cent., how much reserve will you keep?

Mr. Lalljee.—We will give 6 per cent. at the most as dividend and no more. After five years if it is accumulated we will give from the accumulated profits but not otherwise.

President.—So you think that 4 per cent. out of 10 per cent. will be reserved and that would enable you to meet competition if it is carried on as intensely as it is now. Supposing the price goes down to Rs. 40 again, will you be able to carry on?

Mr. Lalljee.—Yes; it will probably help us to a certain extent. We will try our best to meet it. Of course we do not know how intense the competition will be or how long it will last and it is a question which is very difficult to answer.

President.—I want to know what is your view.

Mr. Lalljee.—Some reserve that we will be able to put by will, I think enable us to put up a fight.

President.—Can you put by sufficient reserve from the protected industry? Even having built up a reserve can you meet competition no matter how severe it is?

Mr. Lalljee.—If for 10 years you give protection we will be able to do it.

President.—During the last year on the present figures you must have made big profits: with that you say that if the prices drop to Rs. 40 or 45 you will not be able to carry on. You will not get anything like that profit under any scheme that we might put forward. Then how do you say there will be enough reserve to meet any competition no matter how severe it is?

Mr. Lalljee.—In the past we wasted our reserves but now we are going to keep it by to meet such eventualities. We have learnt our lesson and we also believe that these things cannot go on for ten years, or even for five years.

Dr. Matthai.—It would be a fair thing for you to say that you would be able to do without protection if there was no dumping but that if there was dumping you wouldn't be able to carry on?

Mr. Lalljee.—If you put it like that I quite agree with you.

President.—Is there any guarantee that there will be no dumping?

Mr. Lalljee.—I don't think there is any guarantee.

President.—Therefore it follows, as we understand the thing, that the industry will never be able to do without protection.

Mr. Gould.—Much would depend on what outside salt might be able to do during the period of protection. As an illustration I might say that Ras Hafoon and Assab might be forced to look for other markets and if they succeeded in that, they might leave India alone knowing always that we might have protection again.

President.—It is very difficult for me to say what would happen any more than you.

Mr. Mathias.—Or they might be forced to close down?

Mr. Gould.—Yes, in which case it is doubtful whether they will be able to re-start.

President.—Your view is that these new works are being started to capture the Indian market?

Mr. Giliberti.—They are for the Indian market. They have employed Messrs. Lionel Edwards of Calcutta as their agents. They have entered into an agreement with them for three years which means that they intend to produce for the Indian market.

President.—As far as I can follow, your position is this that there must be a permanent provision against dumping.

Mr. Lalljee.—I would not put it like this. I would say that if dumping takes place Government should take action.

President.—It comes to the same thing.

Mr. Lalljee.—I shall be very glad if the legislators do that.

Dr. Matthai.—That is to say, some machinery should be provided by statute in the Protection Act which should be brought into operation as soon as there is dumping.

Mr. Lalljee.—Yes.

Mr. Mathias.—Applicable to all industries?

Mr. Lalljee.—Certainly. My personal view is that the Tariff Board as a body should be permanent, and be immediately put on as soon as any industry demands an enquiry.

President.—If that is done prices would be affected.

Mr. Lalljee.—Yes.

President.—Then when the dumping ceases the dumping duty will go?

Mr. Lalljee.—Yes.

President.—Then the chances are that the prices will remain at the same level for a long time in the bazar.

Mr. Lalljee.—That is the general impression, but I may tell you that in every district and everywhere the reduction does reach, if not immediately, within three months; in these days to believe that changes do not reach the interior soon is a mistake.

Mr. Mathias.—Except in the retail market.

Mr. Lalljee.—Even in the retail market though not immediately within three months. The traders are there; the public is there. What is at present happening with regard to Bombay recently? As soon as this Tariff Board enquiry started even the retail shop-keepers come and enquire as to what is happening. Formerly nobody used to take interest because there was no such body as the Tariff Board or any such thing. Now people are taking interest. Even retail salt dealers come to the Association and enquire what the changes are and what is being done by the Tariff Board and the Associations. Then there are brokers and commission agents everywhere.

Mr. Mathias.—What association?

Mr. Lalljee.—Association of small salt dealers, as well as of large dealers.

Mr. Mathias.—The dealer wants to know whether the Tariff Board is going to increase the duty so that he may arrange his stocks.

Mr. Lalljee.—Why should you put it like that? My whole object is to show that news of any change filters down to the retail dealers now-a-days very soon.

Mr. Mathias.—If you can show me that the variation in the price filters down by giving me a concrete case and evidence I should be grateful. As far as I can see from such evidence as we have, if these frequent variations take place in Calcutta, prices in the districts will be very slightly affected if at all. The prices must continue for a long time before they really get adjusted to the new level. Dumping may take place as regards salt by the

arrival of a single ship. One ship from Assab, for instance, is sufficient to upset all the prices in the market. It is not like any other big article like steel when the arrival of one steamer is not going to disturb the market. In the case of salt is it not a fact that the arrival of a single ship may be sufficient to upset the prices?

Mr. Lalljee.—It has happened because of the fact that they are going to bring in larger quantities in the future. When D'Jibouti brought one cargo of salt a year ago we never bothered about it. But here we have got to deal with a works with a capacity of 100,000 tons and when this salt begins to make inroads into the market we have to take serious notice of it and have got to guard against it; it is not that only one cargo often upsets the market.

President.—That is the point. The arrival of a ship from such a big works would disturb the market and therefore you will never know when it will be necessary for Government to adopt these measures.

Mr. Lalljee.—If the Government are keen on watching the market and if they care to keep themselves aware of new large works they can do it. I may tell you again that it does take some time to filter down but the news now filters down more quickly than it used to do before.

Mr. Mathias.—Can you give me any definite information about the retail market say in half a dozen towns during the last three years, freights, incidental charges and so on so that we may see to what extent variations have filtered down.

Mr. Lalljee.—We shall try to get that for you.

Mr. Mathias.—You were saying that in the retail market there were only two classes, Liverpool and Aden. Can you get the prices, etc., for Liverpool and Aden in those centres?

Mr. Lalljee.—Yes.

Mr. Mathias.—I would like the figures for district towns so as to be able to work back to the *ex*-golah prices.

Mr. Lalljee.—Yes.

President.—You can give us that information and we will see what we can do with it but is it not a fact that prices in the mufassal will be regulated by local stocks at the time and therefore you may have no salt at all or very little salt and the retailer may say I want Rs. 150 for Liverpool? Is it not the fact that prices will vary according to quality and secondly according to stock?

Mr. Lalljee.—Quite right. If one man has got stock of a quality of salt which nobody else has got in that case it will be as you say, but such a thing does not last long.

Mr. Mathias.—In bigger towns there are a large number of dealers?

Mr. Lalljee.—If you take Poona, for instance, you have a dozen businessmen dealing in salt but if you take a small village there this difficulty always exists, that one can get for some time his price.

Mr. Mathias.—I want you to give me the prices for bigger towns so that we can see whether there has been immediate reduction in the price *ex*-golah.

Mr. Lalljee.—We will give you that.

Dr. Matthai.—Mr. Giliberti, you don't pay any ground rent, do you?

Mr. Giliberti.—No.

Dr. Matthai.—Under the new leases you have to pay ground rent?

Mr. Giliberti.—Yes.

Dr. Matthai.—How much do you pay?

Mr. Burgarella.—About 6,000 to 7,000 rupees.

Dr. Matthai.—What is the date of your second lease? Your original lease dates back to 1885. The Indo-Aden lease is dated 1908; was that the date of your second lease?

Mr. Burgarella.—Yes.

President.—Your maximum capacity is 150,000 tons?

Mr. Giliberti.—Yes.

President.—Mr. Lalljee, you can make 125,000 tons?

Mr. Lalljee.—Yes, with the present plant.

Mr. Mathias.—Would it require any new well?

Mr. Lalljee.—Yes, one.

Mr. Mathias.—How much capital will you require.

Mr. Lalljee.—About 2 to 3 lakhs of rupees.

Mr. Mathias.—That makes it 20 lakhs. That includes working capital' also?

Mr. Lalljee.—Yes.

President.—To get the c.i.f. price your first charge is freight after you put on board?

Mr. Lalljee.—Yes.

President.—At present the freight is Rs. 7; it was Rs. 8 the last time you came to give evidence.

Mr. Lalljee.—I gave the freight rates from the year 1911 to October 1929.

Dr. Matthai.—The highest freight rate that we have ever seen is Rs. 9-8.

Mr. Lalljee.—Yes.

President.—It is very difficult to say what the variations are. You may benefit sometimes or you may lose. Are we to take an average figure or what? Supposing your salt is purchased in order that you should be safeguarded against the fluctuations in prices, would it not be better for you to sell it free on board? Supposing the freight goes up to Rs. 9, you will come forward and say that the freight has gone up. But if the freight goes down to Rs. 6, you will never come forward and say " the freight has gone down and therefore pay us less ". We want to remove as far as possible all the elements of uncertainty and freight is certainly an uncertain factor.

Mr. Lalljee.—It would not suit me personally.

President.—We are examining the owners of salt works and not you personally. Why should we make any special provision for one particular salt manufacture? In March 1927 the freight went up to Rs. 10.

Mr. Lalljee.—You may.

President.—They dropped to Rs. 6-4-0 in November. That means Rs. 3-12-0 a ton which is a very big difference.

Mr. Lalljee.—S.S. *Dara* and *Intaba* were not regular steamers.

President.—That is not the point. Whatever freight rate we take, it is liable to fluctuation.

Mr. Lalljee.—Yes, but compared to the rates of salt, the change in rate of freight is not much and does not affect so much.

President.—We have examined the principal steamship company and I think their opinion was that the freights are so low that they may go up. In such a case we don't want again a revision of the price. Supposing you had to pay As. 4 more for freight, would you be content with the c.i.f. price which we have fixed?

Mr. Lalljee.—We won't.

President.—You can't have it both ways. What do you say Mr. Gould?

Mr. Gould.—Couldn't you fix the price and add if any more was paid for freight?

President.—If the prices are to be stabilised, these elements of uncertainty should go out. Is there any other way except selling it free on board?

Mr. Giliberti.—This is the only way if the prices are to be stabilised. It depends on circumstances.

President.—From your point of view if prices are to be stabilised it is better to stabilise the price on the f.o.b. basis.

Mr. Giliberti.—Yes.

President.—Then the selling organisation can in its own price take into account the fluctuations and fix it at one level. That is the idea.

Mr. Lalljee.—The selling organisation will be taking a risk.

President.—Yes. That is perfectly true. The risk may be worth it in view of the stabilisation of prices. How else can you do it, Mr. Hoosein bhoy? Can you suggest any other way? Supposing I want that salt should be sold at Calcutta at a certain figure, say, Rs. 70, how else can it be done?

Mr. Lalljee.—Fix the c.i.f. price.

President.—It will vary. At one time it may cost Rs. 70 and another time it may be Rs. 60. If the price is to be maintained at Rs. 70, these variations in freight must be taken into account by the selling agency.

Mr. Lalljee.—Then the selling agency will never get any benefit. The consumers will never get any benefit of any favourable freight.

President.—They will. It is like this: you fix a price which is below any price at which salt has been sold on an average. But the selling agency is able to buy at very much less, say, Rs. 15 less. Until it knows exactly where to stabilise the price, it has got to sell at a higher price. Then it gets a certain amount of money which is kept by and maintains the price at the same level. Don't you know the equalisation of dividend fund? In one year the company earns 15 per cent., but it only gives 7 per cent.

Mr. Lalljee.—My object is that they won't get that advantage of freight which we get at present by the return cargo.

President.—They will buy it all.

Mr. Lalljee.—We won't give them to be distributed amongst all.

President.—Supposing you have freight from Aden, it would be to your advantage to sell it.

Mr. Lalljee.—It will charge what others charge or even more.

President.—We are not providing for you. I am talking of the industry.

Mr. Lalljee.—I have no objection.

President.—That is the only way in which you can do it. Can you suggest any other means? When you want to equalise dividends, how do you do?

Mr. Lalljee.—Your scheme is quite all right.

President.—How much freight insurance you have to pay?

Mr. Gould.—¼ per cent.

Dr. Matthai.—What is this item that you refer to in your statements—less address commission 2½ per cent.?

Mr. Lalljee.—The chartering agent gets 2½ per cent.

Dr. Matthai.—That is added on to the freight.

Mr. Lalljee.—We charter the steamers ourselves and we get that amount. There is no intermediate man. If there is an intermediate man, he gets it.

President.—That is 2½ per cent.

Mr. Lalljee.—Yes.

President.—Selling agency will get that.

Mr. Lalljee.—That is another business. You must not mix that up with my business. I get that 2½ per cent. because I am connected with Shipping Companies like Messrs. Turner, Morrison and Company.

President.—When you give the thing c.i.f. it doesn't mean delivery on the ship, but it is *ex*-ship, that is to say, the ship undertakes to discharge the cargo into barges.

Mr. Gould.—Yes.

President.—That is what the c.i.f. means?

Mr. Gould.—Yes.

President.—It is unloaded into the barges alongside.

Mr. Gould.—Yes.

President.—All the port dues, all the overside dues are paid by the ship. The company is not interested in weighing the thing. How much do you pay for the tonnage—on the measurement or on the actual weight.

Mr. Gould.—On the customs weighment certificate.

President.—Is the other merchandise weighed? Supposing you took a cargo of rice, do you pay on the carrying capacity or on the measurement.

Mr. Lalljee.—There is the measurement cargo as well as the dead weight cargo.

President.—How will you take the weight?

Mr. Lalljee.—In bulk. Mostly the steamers go by the draught of the ship.

President.—That is measurement so far as the steamer is concerned.

Dr. Matthai.—Measurement as the basis of weight.

President.—That is to say, the loading line.

Mr. Lalljee.—Yes.

President.—If it goes up by one foot, it is so much.

Mr. Lalljee.—Yes. The approximate capacity of the steamer is considered by the water line, but high and low tide and other elements also are to be considered, you get by water line very approximate not exact.

President.—When you load the salt you weigh.

Mr. Lalljee.—We go by the lighters. There also we have the water line and we know approximately what each lighter can take, but that does not give exact quantity.

President.—They put the seal and then in Calcutta it is opened.

Mr. Lalljee.—Yes.

President.—Is the key in charge of the Captain or is it with you?

Mr. Lalljee.—With the Captain.

President.—There is no Customs Officer on the steamer.

Mr. Lalljee.—No, not during the voyage.

President.—The salt will have to be weighed in order to pay the manufacturer and also for the purposes of duty. Supposing the salt is weighed when it is purchased, then it is not necessary to weigh it afterwards.

Mr. Lalljee.—It is not necessary for manufacturer, but it is necessary for duty and royalty. Take the case of Aden. There is a royalty payable and also toll tax payable per ton. They won't weigh it for charging the royalty. They want actual figures after the salt has been discharged by the steamer. Until the salt is disposed of in the golahs the returns will not be sent to Aden for collecting the actual amount of royalty. If the Government want they can pass orders that the adjustment should take place at the end of the year. They should take the approximate water line.

President.—Government will then know how much has been received from each manufacturer.

Mr. Lalljee.—Yes, they can charge royalty according to the water line and we pay that much to the Aden Government and at the end of the year the return may be sent to Aden and the adjustments would take place then.

President.—Each manufacturer will have to keep a separate golah. That would lead to considerable amount of saving. Supposing the steamer comes, it is weighed out in 20 maund tipping wagons and then sent straight into the golah, it would take much less time than the weighment of 2 maunds at a time.

Mr. Lalljee.—It may make a saving, but not a lot of saving. I read the evidence given by Messrs. Mackinnon Mackenzie and Company before the Board. So far as salt is concerned, it is only one or two per cent. they carry

further. Mackinnon Mackenzie and Company's steamers do not carry salt as far as possible and I submit their views regarding salt shipments and rates are not sound.

President.—They handle a lot of cargo.

Mr. Lalljee.—Yes, but this cannot be said for salt. I will tell you why. Assuming the freight is Rs. 7, they take salt cargo only to fit in with the time that they would get the return cargo. They make a condition always in the charter party and that is, if there is demurrage, it should be at the rate of Rs. 1,000. If it is despatch money it is Rs. 500.

President.—What do you mean by despatch money?

Mr. Lalljee.—If the steamer is required earlier, we get Rs. 500. That ratio is applied where the steamer has got a capacity of 9,000 tons. The more the capacity the less the amount, besides it also depends on the steamer owners requirement whether he wants early or late and that again depends upon freight rates for different time of shipment.

President.—Supposing you sold free on board, the buyer has to arrange for the freight. He arranges for the freight and you may not have the goods ready. In that case what provision do you think ought to be made?

Mr. Lalljee.—You will have to ask the manufacturer from what date to date he would require the steamer, and fix steamer accordingly.

President.—Supposing he is not ready?

Mr. Lalljee.—He must pay the demurrage, otherwise the Association can't bear that, however, I feel it is a very risky thing.

President.—It simply means that he must be ready to ship the salt at the proper time.

Mr. Lalljee.—We charter a steamer and say that we will load from 5th to 25th of March. If the steamer comes and is delayed, we have to pay demurrage.

President.—You would say that you have got so much on hand and that you would be ready to give delivery. That is to say you cannot take the risk of salt being in the course of manufacture. It must be ready when you actually get the steamer.

Mr. Lalljee.—When we are on this point, I want to point out one thing which strikes me. I may tell you as a businessman that if it is a case of freight on our own steamer we will manage to load it as soon as possible. We would calculate the days that we would save and what we would get in the shape of despatch money and work accordingly. If, on the contrary, it is for an Association, we will go on loading 500 or 600 tons just as other people do and not 1,500 or 1,600 tons as we do now at times. Sometimes we even work on holidays to suit the circumstances and thereby finish the loading or unloading very early.

President.—The buyer will say " we will share the despatch money ".

Mr. Lalljee.—If I were to charter a steamer, I would ask for a 5,000-ton steamer for 20 days, whereas Mr. Burgarella would ask for 22 days and some other man might ask for 25 days. The man who asks for the least number of days will get it, and the rate of freight will mostly depend on it as well.

President.—Why do you assume that the buyer who buys the salt f.o.b. would be such a fool as not to know how to manage?

Mr. Lalljee.—Who is going to do it; let me tell you it is not an easy thing, even at present loading time taken by different parties is not at all same.

President.—We do not know. We must assume that the man who is going to manage this business has brains enough.

Mr. Lalljee.—If I undertook to sell you salt at f.o.b. you could not ask me to load at night. So, you don't get the advantage, which we now have, nor could you ask me to work on a holiday nor ask me to load as large quantity as possible.

President.—If you do it, just as the steamers give you despatch money, the buyer will give you.

Mr. Lalljee.—That begins from the time of the charter. At the time of chartering also this bartering goes on. Of course those are small things, if you like to take it as such but they do make at time difference of a couple of rupees per 100 maunds.

President.—Why do you assume that this end of the business would not be done in a business-like way?

Mr. Lalljee.—I may tell you this much that the despatch money that I get nobody else gets—not even half of it.

President.—You are a better businessman.

Mr. Lalljee.—I am not objecting to the proposed arrangement if you want to stabilise prices, when I say what I have said I want to explain and put things as clearly as possible.

President.—After all, it does not come to very much.

Mr. Lalljee.—Probably. The question of discharging the salt into the golah would not bring about much saving. It would not come to more than 8 annas a ton.

President.—The c.i.f. charges mean that it is unloaded into the barges by the company.

Mr. Lalljee.—Yes.

President.—Up to that time you don't have to incur any other expenditure.

Mr. Lalljee.—No. Of course we have to bear loss, wastage in the voyage.

President.—What about the agents' commission? You do it yourself. So, that question does not arise in your case.

Mr. Lalljee.—No, but we have to keep up our office staff, etc.

President.—What about you Mr. Gould?

Mr. Gould.—We get 3½ per cent. on the nett price, that is after paying all charges, freight and everything else.

President.—That means f.o.b. price practically.

Mr. Gould.—Yes.

President.—Surely it cannot be that.

Mr. Gould.—It is on the f.o.b. that we get.

President.—It means on the works selling price.

Mr. Gould.—On whatever we remit to our principals.

Dr. Matthai.—You have here a provision of brokerage of 2½ per cent. on f.o.b. price?

Mr. Lalljee.—Yes.

Dr. Matthai.—That goes into the *ex*-ship price.

Mr. Lalljee.—This is from the sale price.

Dr. Matthai.—That is added when you fix the sale price.

Mr. Lalljee.—Yes.

President.—The *ex*-ship price includes all these things.

Mr. Lalljee.—Yes.

Mr. Mathias.—Is it 2½ per cent. on the c.i.f.?

Mr. Lalljee.—On the freight they charge a different commission so far as I understand.

Mr. Mathias.—You have also a commission on freight.

Mr. Gould.—I do not know what the London Office does as regards chartering.

Mr. Lalljee.—I think that 2½ per cent. is the chartering commission and 1 per cent. brokerage.

Dr. Matthai.—It is 2½ per cent. on the f.o.b. *plus* 1 per cent. on freight.

Mr. Lalljee.—3½ per cent. on freight.

Dr. Matthai.—It is practically 3½ per cent. on c.i.f.

Mr. Lalljee.—Yes.

Mr. Mathias.—The c.i.f. quotations include those charges.

Mr. Lalljee.—The rates at present ruling in Calcutta include all those charges.

President.—Your *ex*-ship price in relation to the golah price is only Rs. 3 less.

Mr. Lalljee.—I may tell you that the price difference there is not correct.

President.—Therefore your *ex*-ship price is lower.

Mr. Lalljee.—Rather I would say that the golah price must be higher. The difference of three rupees is not correct. There should be a difference of Rs. 7 at least between the two prices.

Mr. Mathias.—You mean that this is only a temporary reduction.

Mr. Lalljee.—Yes.

President.—Your *ex*-ship price would be Rs. 48.

Mr. Lalljee.—The golah price must be Rs. 55.

President.—What you actually do is you keep the *ex*-golah price at Rs. 55 and the *ex*-ship price at Rs. 52.

Mr. Lalljee.—That is what we are doing.

President.—It was not that you were selling *ex*-golah Rs. 4 cheaper but that you were selling *ex*-ship Rs. 4 higher.

Mr. Lalljee.—We were selling *ex*-golah cheaper.

President.—I understood that that was the idea.

Mr. Lalljee.—No.

Dr. Matthai.—It is both: *ex*-golah is slightly lower and *ex*-ship is slightly higher.

Mr. Lalljee.—Yes.

Mr. Mathias.—You sell *ex*-golah cheaper than the difference in cost would justify. You are prepared to sacrifice a certain amount of your profit *ex*-golah in order to clear away your stock.

Mr. Lalljee.—Yes.

Dr. Matthai.—What is the present difference between *ex*-golah and *ex*-ship?

Mr. Lalljee.—Between Rs. 4 and Rs. 5 Actually it might come to Rs. 7.

President.—I want to find out the exact difference between the two. When a man takes the salt into the golah, he has to take it from the steamer into the golah. That charge he will have to pay in any case.

Mr. Lalljee.—Yes, for the flats.

President.—He takes it to the golah and then it is unloaded into the golah. Therefore the unloading charges are to be paid to Messrs. Bird and Company.

Mr. Lalljee.—Yes.

President.—Supposing a man takes delivery of the salt *ex*-ship?

Mr. Lalljee.—He has not to pay that.

President.—When he arrives at the destination, he has to unload it into something.

Mr. Lalljee.—Yes.

President.—We do not know what the charges are. The man who takes the salt by the barge has to pay for the haulage from the ship to his destination.

Mr. Lalljee.—Yes. There they have to pay for the unloading.

President.—There he is in the same position as the man who takes delivery of the salt *ex*-golah for the time being.

Mr. Lalljee.—Yes.

President.—Then, this man sells *ex*-golah and the other man *ex*-godown. Therefore, the position is same assuming that the charges are same.

Mr. Lalljee.—Yes, but charges in Calcutta are higher than in the interior.

President.—Supposing the man who takes delivery into the barge wants to rail it? Does he rail it?

Mr. Lalljee.—No.

President.—If he had to rail it, then he would have to unload it, cart it and so on.

Mr. Lalljee.—The salt that goes by rail is invariably sent to the golah. In such a case nobody takes delivery of it *ex*-ship. The boat charge in Calcutta from the steamer to the golah is Rs. 3-8-0 per 100 maunds and sometimes as much as Rs. 6, whereas these barges take the salt to the destination for Rs. 5 or Rs. 6 only.

President.—Rs. 5 or 6 only per 1,000 maunds?

Mr. Lalljee.—Yes.

Dr. Matthai.—What sort of place are you thinking of? Will it be Eastern Bengal?

Mr. Lalljee.—Yes, and other places where the rail charges are prohibitive or much high in comparison to crafts.

President.—They all have to pay toll charges.

Mr. Lalljee.—Yes.

President.—What other charges are there?

Mr. Lalljee.—The rate to Sulkea golah from the steamer is Rs. 3-8-0 to Rs. 4 per 100 maunds. Those boats that are towed by other steamers or steam boats are paid much less—about Rs. 6 or Rs. 7 for the destination. The rail freights are such that a lot of salt is sold *ex*-ship.

President.—Because there is competition between the railways and the boats just now.

Mr. Lalljee.—Yes. So far as Aden salt is concerned, we sell nearly 60 or 62 per cent. *ex*-ship and sometimes even 65 per cent. Therefore it suits those people to take it in the barges or crafts *ex*-ship.

President.—Am I right in stating that so far as the salt which goes by rail is concerned it must go into the golah generally speaking.

Mr. Lalljee.—Yes, and for such places which can be reached by rail conveniently.

President.—Where you cannot use the river?

Mr. Lalljee.—Yes.

President.—In that case, it must pass through the golah.

Mr. Lalljee.—Yes.

Mr. Gould.—There have been instances where they have taken it in *dinghis* up to Barisal. Of course that is not the regular practice.

President.—What is the normal practice?

Mr. Gould.—The normal practice is what Mr. Lalljee is suggesting.

President.—When you put it into golahs you would naturally know where it goes.

Mr. Lallice.—Everything taken overside goes in boats.

President.—When you sell *ex*-golah?

Mr. Lalljee.—We have our contract with the boating companies which take the salt from the steamer side to the golahs.

President.—I mean when you sell it *ex*-golah?

Mr. Lalljee.—That generally goes by rail.

Mr. Giliberti.—What about the Indian States?

President.—They are entitled to put their salt in the Bengal market. Their companies are registered in Bombay.

Mr. Lalljee.—There will be Jodhpur also. When we yesterday gave you an approximate idea to meet Indian requirements of 100,000 tons and 75,000 tons we really meant that it would be for the British Indian manufacturers, that is to say, we would be willing to restrict our shipments to encourage the salt industry in British India and not that of the Indian States and the Indian States should not take advantage of the restriction, or in other words we ought not to be restricted for the benefit of Native States.

President.—The Government of India makes no distinction so far as the Bengal market is concerned between Indian manufacturers and the Indian States.

Mr. Lalljee.—Being a part of British India we say that we are prepared to restrict our shipments if necessary in order to give some advantage to British Indian manufacturers.

President.—You have made no restriction.

Mr. Lalljee.—I am entitled to have more than anybody in the Indian States, and develop my works in the interest of India than the Indian States.

President.—They are in the Continent of India whereas you are not.

Mr. Lalljee.—For the matter of that anybody may be on the Continent of India, for instance, there are French and Portuguese territories in India. The point I raised about the Swedish Syndicate for match manufacture was the same. I do mean that we don't want to come in the way of any industry in British India but we would object to our shipments being curtailed to benefit Jodhpur or other Indian States or other foreign states who do not contribute to our exchequer.

President.—I may tell you that Jodhpur does not come in at all. It is not Jodhpur; all the works there belong to the Government of India so far as the Rajputana salts are concerned. If we are satisfied that salt produced in that part of India can be marketed more cheaply than imported salt then we will have to consider whether that salt should not be taken by rail, it doesn't matter where it is.

Mr. Lalljee.—It amounts to this that you are now putting up a theory that you will get the cheapest article in the world irrespective of whether the Indian industry get protection or not.

President.—Is it your suggestion that Indian States which produce salt should be placed on the same footing as any foreign country?

Mr. Lalljee.—Yes.

President.—These salt works belong to the Government. Supposing in the salt sources owned by the Government of India and run by the Government of India at present there were sources from where salt could be put into Bengal market cheaper than from Okha or Karachi, why should it not be done?

Mr. Lalljee.—I don't object to that. What I say is Aden is India and we are British Indian and we are entitled to support of our Government.

President.—Supposing we decided that Aden is India then seaborne salt is the only salt in which you could have any interest, that is to say if the railborne salt was cheaper to market then how can we as a Board, looking at it from the larger point of view, suggest that the more expensive salt should be put into the market? I don't know whether it is cheaper or it is not but taking the cost of production and everything into account if it is found to be cheaper, do you suggest that in the interest of Aden and other seaborne salt we should sacrifice this. We want as far as possible not to disturb the industry as at present established but if you create more difficulties in the way by making suggestions like this, then the position does not become simpler.

Mr. Lalljee.—Recently we had an interesting experience with the Native States!

President.—We have nothing to do with that.

Mr. Lalljee.—We are prepared to be treated by Government in a fair way so far as the British Indian salt industry is concerned.

President.—Quite true but you would admit that whatever the position is we must look into this. Supposing salt can be produced by Indians in India at a cheaper rate then this cheaper salt ought to have preference, should it not?

Mr. Lalljee.—I agree.

President.—It does not matter in what part of India it is produced.

Mr. Lalljee.—I say British India.

President.—Supposing all the salt can be produced in British India and supplied by rail at a cheaper price than your salt, then you have no objection?

Mr. Lalljee.—I have. Government will have to see whether the industry in Aden should not be protected or deserve to be protected. Another question also arises. May I ask the Board to kindly enquire whether the Native State concerned which wants to come into the Bengal market will allow Aden salt or Bombay salt to go into its territory. Take Okha, for instance. If Okha is allowed to bring salt to Bengal will the Baroda State allow Aden Indian salt to go into Baroda?

President.—I am not here to answer questions. The whole point is that our terms of reference, say, that it is the declared policy of the Government of India that Indian States are allowed to export salt to the markets of Bengal or Burma and therefore, so far as we are concerned, we have nothing to do with it.

Mr. Lalljee.—What I thought was that when you went into the whole question it might be advisable, if Aden or Bombay produced salt cheaper, to consider whether they would be allowed entrance into the Indian States when their salts are allowed into British India.

President.—When our terms of reference say that it is the declared policy of the Government of India to allow Indian States salt to enter into British India we have nothing to say.

Mr. Lalljee.—In that case we will have to make a reference to the Government of India about this point, because in fairness Indians must have full rights into Indian States, if Indian States are given any rights in any part of India.

सत्यमेव जयते

Proceedings of a meeting of the Tariff Board held at Karachi on Friday, the 22nd November, 1929.

PRESENT:

Sir Padamji P. Ginwala, Kt.	President.
Mr. A. E. Mathias, I.C.S.	Member.
Dr. John Matthai	Member.
Mr. R. L. Walker, I.C.S.	Secretary.
Mr. H. Greenfield Mr. and Mrs. C. J. Hallifax } (Grax Limited).	
Lala Jaswantrai Mr. T. K. Jeswani Mr. T. M. Gurbaxani } (Indian Merchants Chamber).	
Mr. J. F. Kotwal (Eduljee Dinshaw Salt Works).	
Mr. Chimandas L. M. (Messrs. Jaynarain Goureshanker, proprietors of Laxmi Salt Works).	
Mr. Jawalaprassad (Messrs. Jaynarain Goureshanker).	
Mr. Narsingh Dass, B.A. (Messrs. Diwan Chand and Co., Diwan Niwas, New Delhi).	
Mr. R. K. Sidhwa.	
Mr. Isardas Varindmal.	
Rijhumal Versimal Jamait Rahmath Kamu Soomar } (Moon Salt Company).	

President.—Gentlemen, I would like to explain to you briefly our procedure and the scope of the enquiry. There is a feeling in the mind of the Indian Chamber of Commerce, Karachi, that we have not given them any opportunity to state their views to us. Our visit to Karachi is rather a short one and we do not propose to take very much evidence here. In any case, this is not the stage at which the Chamber of Commerce could render us any great assistance because we ordinarily expect a Chamber of Commerce not to represent any particular interests or any particular manufacturer but to give us its views on the general aspect of the whole question in what way the whole country may be affected by our proposals. For instance, when we are in a position to see our way clearly and to say that such and such a line may be adopted—not necessarily as final but for discussion—then we expect the Chamber of Commerce to give its views in the national interests, so that no practical purpose would be served by the appearance of the Chamber of Commerce at this stage. Do you understand the position?

Lala Jaswantrai.—Yes.

President.—But you will have on opportunity at a later stage to give evidence, if you wish to, either in Calcutta or in Bombay or to let us have your statement in writing.

Lala Jaswantrai.—Yes.

President.—As regards the scope of the enquiry, Gentlemen, you must have read the Government of India's resolution and our communiqué on the subject. What we are called upon to enquire into is briefly this: first of all whether India can produce that quality of salt which is in demand in Bengal, Bihar and Burma, and secondly, if it can, is it in the national interests that this production should be encouraged? This means not only that it can be produced but that it can be marketed at a price which will not throw an

excessive burden on the consumer. It also means that as regards quality it must be of the kind that has been sold in that part of India for a considerable number of years. A considerable quantity of this class of salt has been imported from Aden for the past many years. As you know, Aden is part of British India and theoretically no distinction can be made between Aden and the Continent of India—by theoretically I mean constitutionally—but there may be circumstances in which from the point of view of the Continent of India it may be necessary to make certain restrictions as regards the production of salt in Aden. Whether we shall adopt that course or not, we have to decide hereafter. But theoretically we can make no distinction between Aden and the Continent of India. So far therefore as you are concerned if protection is given to the production of Indian Salt you may expect a considerable amount of competition from Aden. You may eliminate foreign competition, but, Aden being part of British India, you won't get away from competition with Aden.

Then there is the question of the Indian States. We explained this position in Bombay. The Government of India's Resolution which contains our instruction distinctly says that it is the declared policy of the Government of India that salt manufactured in Indian States may be sold in the markets of Bengal and Burma and therefore you have a second competitor there. Theoretically there also we cannot make any distinction between Indian States and British India. Of course we will be prepared to hear your views on the subject, but we are not prepared to hear any views which would necessitate our going beyond the terms of reference: that we refuse to do, because it is distinctly stated in the Government of India's Resolution.

We have read all the representations. The principal complaint against the foreign manufacturer is that in Calcutta there are serious fluctuations in the prices of imported salt and that if an Indian industry is to be started, some steps must be taken to prevent such fluctuations. It has been stated—of course we shall examine this point when we are in Calcutta—that these fluctuations in prices are due to artificial manipulation by a combine, but whatever the cause may be, the fact remains that there are fluctuations. Prices vary roughly between Rs. 50 and Rs. 120. Now if we were to decide that the production of salt in India ought to be encouraged, we shall have to see that the Indian manufacturer gets a reasonable price. There may be several ways of doing it. One is the imposition of a heavier duty on the foreign article. There are objections to that in the case of a commodity like salt. In the first place it would be impossible to meet the violent fluctuations in price except by frequent variations in the duty and you will agree that in the case of an article like salt that is not a thing that we are likely to recommend or the Legislature is likely to accept. Supposing however we did recommend the imposition of a duty you must remember that in that case it is quite likely that most of the benefit might go to Aden, because it has been in the market—in the field—for a much longer period than any of you. Its cost of production is lower than yours and if we were to impose a duty on foreign salt, that duty would not apply to Aden. The chances are that the whole business will be transferred to Aden. That is a circumstance which we must take into account. Though theoretically Aden is part of British India, yet the people of this country might not like the whole of the industry to be transferred to Aden. That is the second objection. The third objection which is really part of the first objection is this: that fluctuations in prices take place too frequently. As you know if the duty goes up, the price would go up in sympathy. But if the duty is brought down it is not likely that the price will come down as quickly and therefore the burden on the consumer lasts much longer than it ought to. The same thing would apply to a bounty. We cannot make a recommendation that as the foreign price comes down Government must increase the bounty to the Indian manufacturer. Government will never take on itself an unlimited liability of this sort; and if the foreign competition becomes what we know as unfair competition, there are no limits to which prices may go down. Supposing a foreign manufacturer made up his mind that this industry should not be allowed to be estab-

lished in India he might reduce his price to a level at which you could never compete. Therefore from that point of view there are more serious objections to a bounty than to a tariff, because all that money would be thrown away. In the case of a duty Government would get a certain amount of revenue, but in the case of a bounty that is money which is entirely thrown away. If we have to depend merely on these alternatives, it may not be possible, even if we are satisfied that this salt can be produced, to make any recommendation. We cannot put forward a scheme which is liable to be destroyed or will require serious modification almost as soon as it is put into operation. It is on this point I should like the Chambers of Commerce and the manufacturers to assist us because it is no use your pressing us to consider the proposals about an increase in tariff or the grant of a bounty. We have been at this work for some time now and we know the arguments for and against. We may listen to the argument which you may put forward, but from the practical point of view it is much better to suggest to us some proposal that is not open to the serious objections to which those alternatives are open.

There is a third alternative which we have been considering and that is some scheme which will guarantee two things, stabilisation of prices and quality. That means artificial control. There must be some authority which will regulate both these things, *viz.*, stabilisation of prices and quality. It is a kind of rationalisation. Stabilisation of prices means stabilisation of output and balancing supply and demand. It means that some authority—may be Government, may be some Company or Corporation recognised by Government—should undertake to supply the whole of the salt required in that part of India. Its business would be to supply the whole quantity. It will be bound to take as much as India can supply and the remainder it will buy in the open market from outside sources. The object would be that gradually all foreign salt would be shut out and its place would be taken by salt produced in India. The manufacturer will get a price that will give him a reasonable return on the investment and the whole marketing would be done by this body, having the sole monopoly. Whether it is a Government body or a company, the manufacturer of salt will have nothing to do with the marketing of his salt. I have seen a suggestion made on these lines but it proposed that different brands and qualities should be recognised. There is no point in that at all. In Europe nobody buys salt from Hamburg because it is Hamburg quality. He simply buys table salt or some other quality of salt. There is really no room for Aden quality, Port Said quality, or any other quality. There are really only two or three qualities of salt and therefore all the salt would be sold as of a particular standard quality. There may be three or four qualities, but they will not be associated with any locality. These are not our proposals. We are merely considering these proposals. You must not run away with the impression that we have come to any conclusion. These are merely proposals which we are discussing. We may accept any one of them or reject all of them and say that there is no case. I warn you that we are not discussing any proposals which we have decided. We are simply duscussing various alternatives, and the question of a marketing organisation is one.

Now the question of quality is most important. It is more important as a matter of fact than that of price, because if the question of quality did not come in, there would be no difficulty at all in producing salt in any part of British India. It is because this particular market wants this quality that this question has arisen. Therefore quality is the most important consideration. The consumer under this scheme is not going to be compelled to eat any stuff that you choose to place on the market. Quality cannot be maintained unless there is some kind of control and you cannot control the quality by simply saying that Karachi salt is good quality and Bombay salt inferior quality. It must depend on an examination of the article itself. Salt being a chemical, there are no insuperable difficulties in prescribing standards both as regards constituents and as regards colour. In some parts of India the quality is extremely bad. That is because there has been no supervision. Any kind of salt that the salt manufacturer produces has been able to find a

market. That cannot be allowed. How this controlling authority will work we have not really considered. What we want to know is: Do you consider that in principle this system is a good one? The details will have to be settled hereafter. We are only asking you whether in order to secure your own interests and in order to secure to the consumer a reasonably good quality of salt at a reasonable price, the scheme in principle is a good one. When you have stated that it is a good one, then will be the time for us to consider further details. But if you say that it is not a good one, it is no good discussing details at any rate with you.

Now then you will see that if this scheme on examination is found to be a feasible one, then it is immaterial where salt is manufactured provided it is of the quality and provided it is sold at a certain price which we consider reasonable. No question can then arise whether Karachi should produce it or whether Okha should produce it. Whoever produces and supplies this salt will be entitled to sell it. If you produce more salt than the country requires, then there will be competition in the country and it will be the man who supplies the best salt at the cheapest price that will score. I want to impress this point upon Karachi manufacturers, because if this scheme is adopted it is quite immaterial where the salt is produced and it is not necessary for us to say more than this that salt can be produced in such and such places, but whether a particular place is the most suitable is one that it may not be necessary for us to go into.

My colleague on my right reminds me that there is one other point that I might mention to you and that is this: under such a scheme it might be desirable for this authority to get all the freight that it requires whether by sea or by rail. It will take the salt from the nearest place to the market. It may therefore say " You deliver your salt at your works, f.o.b., or f.o.r.; after that we will dispose of it wherever we find the best market for it ", because it is quite obvious that a purchaser of freight on a large scale will be able to secure better terms than a purchaser on a smaller scale. That however is a matter of detail rather than of principle, but we would like to have your views on it also. If this authority pays you a price f.o.r. or f.o.b. you may be situated at a very much greater distance than another man and the result would be that there would be no inducement to a manufacturer to produce the salt in a locality which is nearer to the market, if he was not to get the benefit of the smaller freight. Therefore it may be necessary for us to consider whether on the whole it may not be advantageous to get the salt free on board or free on rail, in that case c.i.f. or free on rail destination. These are points that have to be considered, because if you purchase salt free on rail from the manufacturer, say, situated here, the cost of transport to the distant market might be fairly heavy. Another man may say " All right, if you give me the same price (c.i.f.) as you are paying them, I will produce the salt nearer the market, because I will pay less freight ". Therefore a scheme should not be so framed that it shuts out a man who wants to produce this salt in closer proximity to the market than you are, but this is, as I say, no question of principle. It is merely a matter of organisation. That is as regards the general scheme.

Now there are two other points to which I wish to draw your attention. The first is a local question and that is the transport arrangements from the works to the ship. I see that there are two different problems in connection with this, one affecting the Grax Limited and the other the Star Works. The second is one which affects the other manufacturers including the undeveloped area which has not yet been disposed of.

We generally try to assist industries in matters of this sort, but you will agree that it is rather a difficult proposition for this Board to offer any advice in this matter. It is entirely a local problem as to who should have precedence or whether both should be treated on an equal footing. That is a point really for the transport authorities. If they find that they are likely to make more money by encouraging one side, whatever we may say, they are not likely to encourage another one which is not so profitable to them. No doubt if you make any proposal to them, they would consider it. But it is hardly

for the Board to say that a particular site ought to be supplied with certain facilities. It may say this that taking the whole place perhaps it might be an advantage if better transport facilities were given. The question that will arise so far as we are concerned is this: supposing we are satisfied that this salt can be produced in Karachi, but if the output was very much increased the limiting factor would be the facilities for transport; you may be able to handle 200 tons a day, but when it comes to a question of handling 1,000 tons or 1,500 tons a day when you are supplying the whole market, the proposition is a very different one. In that sense it may be possible for us to suggest that transport facilities may be improved. But obviously we cannot say that the Government works or Grax Limited or somebodyelse should have preference over anybodyelse. We have not gone far enough in the first instance to say that. In the next place we will never be able to state it in that way. It is for the manufacturer to state that and it is for him to persuade the transport authorities to give him the facilities he requires. If not, he must provide the facilities himself. These are points that a manufacturer must take into account when he starts a business and not after he has started. However I don't say that we shall not deal with them, but I am trying to point out to you the difficulty. This Board can hardly decide between the two different rival claimants or rival schemes. The Board is concerned with this question: Can India supply the whole quantity of salt that it requires? Can Karachi supply the whole of that? If not, how much of that? If it can, whether it can market the salt at an economic price. That would include the question of transport. To that extent it may be necessary for this Board to examine the question and to make any recommendations it likes, but not more.

There is one other point. I think in several of the representations it is suggested that the costs and certain other statements should be treated as confidential. I may tell you all, Gentlemen, that this is a thing which we have seldom or never done. If a party wants assistance from Government he has got to submit to a public examination and public scrutiny. We have insisted upon all parties supplying their costs not merely to us but for publication. The public have a right to scrutinise and say what they think of them. The Legislative Assembly may insist upon this. It is one of the recommendations of the Fiscal Commission that nothing should be done in secret. If the tax-payer is to assist any industry, he has the right to demand all the information before he puts his hand into his pocket. Of course this Board hasn't got the power to compel you to give it any more information than you choose to give, but the Board has got very wide powers. It may exclude anybody entirely from the benefit of any scheme which it may propose. In this case supposing we recommended that a Company should be formed or that a Government monopoly should be created, we should have very little hesitation in saying that a certain Company which has not given its costs should be excluded and that no salt should be purchased from that company. All the applicants who have so far been examined have been private manufacturers—of course the Government costs are there and they claim no secrecy for them; they have placed all their costs before us and we have examined them in public and the statements will form part of the official record and anybody is at liberty to see them. It is perfectly obvious that if we are to make any exceptions it will be impossible for us to make any recommendations which the Government of India or the Legislative Assembly may accept. After all they are the final authority and they want to know whether a good case has been made out and they ordinarily accept our advice, but they are not bound to. They may wish to scrutinise the evidence themselves. In the Cement enquiry we actually excluded a company which refused to give us costs from benefiting from our proposals. That was the only time it happened and that was how we dealt with the situation. The question has not arisen except in that one single case. The only time we consent to examine a witness in camera is when he is not personally interested in the enquiry. Cases of this sort have been very rare indeed. If we don't examine him in camera, we won't get the information. He is not bound to tell us anything. He is not interested in our proceedings. So it is his right in

such a case to insist upon certain conditions, but when a manufacturer applies for assistance from Government he cannot impose any conditions on the Government; and we have found with that one exception that when the situation has been explained the applicant has always agreed to the publication of his costs. As regards any secret processes or things of that sort, the position is this: we don't go into the technical processes, but to the extent that it may be necessary for us to go into them even there you have to tell us everything. So far as secret processes are concerned, we do not wish to know them, but you have got to explain to us how by the use of these secret processes the costs are likely to be affected—such information as we may require to understand what the processes are and how far they have a bearing on the question of costs. So far as the figures are concerned we do not allow any departure from our practice so that if there are applicants here who have made a reservation as regards the publication of costs, I give them warning. They will not of course be published as you have stated that they should not be published, but we may or may not examine them. It would assist the Secretary of the Board if the applicants told him now or as soon as possible whether they desire to insist upon the costs being treated as confidential. If they do, as I have told you, we will have no alternative but to say that they must take the consequences. In the case of the two applicants who have already appeared before us, *viz.*, Indo-Aden and Okha who made also a similar claim, when the position was explained to them they said that they did not wish to press the point. It is for you to consider whether it is in your interest to insist on this privilege. I simply point out the procedure of the Board in case it does not get all the information it wants.

As regards your examination, I don't think we will have time to examine you. We are going away on Tuesday. We have got a very long tour. We may have to ask you to come to Bombay or Calcutta. But before you come there, those of you who have claimed this privilege will make up their mind as to what they are going to do. They may avoid a very long journey by making up their minds. So far as this Board is concerned it will make no exception. You have got to decide that yourselves.

To-morrow we are going to meet the Port Commissioners at Maurypur and we may examine them on Monday. If they have no objection, we will also ask you to be present to discuss the question of transport.

Mr. Greenfield.—The terms of reference to the Board as far as I understand them are about the white salt suitable to compete with the imported salt in the Bengal market.

President.—I thought I had explained that to you.

Mr. Greenfield.—As far as the question of protecting the Indian salt by means of a duty is concerned, we have not suggested it. We have only suggested a scheme whereby certain minimum rates should be fixed for the various qualities of salt.

President.—We will go into that question when you give evidence.

Mr. Greenfield.—I understood you to say that for the various qualities of Indian salt manufactured in India the rates would be fixed.

President.—We would only say salt. That is all.

Mr. Greenfield.—Will you not mention the places at which salt is manufactured?

President.—No, we do not want to mention places. You eat table salt or any other salt.

Mr. Greenfield.—The question of fixing a minimum rate would be applicable only to certain specified imported salt such as Liverpool.

President.—No.

Mr. Greenfield.—Liverpool salt is a very distinct quality.

President.—If this comes about, the marketing organisation will not sell salt as Liverpool, Hamburg or any other salt. It will only say first grade table salt, second grade and so on.

Mr. Greenfield.—You may grade them.

President.—It is not going to advertise Liverpool, Hamburg, Port Said or any other place.

Mr. Greenfield.—Liverpool salt, as a matter of fact, is made in Cheshire.

President.—There you are!

Dr. Matthai.—I think you have rather misunderstood the point. The President was suggesting a kind of monopoly organisation. That monopoly organisation is to take over your salt at a minimum price which would give you a fair return—that is all that you are concerned with.

President.—You will have nothing to do with marketing. You will get a fair selling price for your salt.

Mr. Greenfield.—Does Government then propose to establish a selling organisation for all salts manufactured in India?

President.—This is what we are considering. I am asking you whether you would be in favour of such an organisation.

Mr. Hallifax.—This is not the time to discuss these things. You only propose that we should consider the matter and let you know.

President.—Yes. I am suggesting to you what the position is. We have not made up our minds yet and this is only for discussion. I want the views of everybody who is interested. It is on this point we would like to have the opinion of the Chambers of Commerce.

Mr. Hallifax.—Have you put our views to the Chambers of Commerce for their expression of opinion?

President.—We have not consulted the Chambers of Commerce, because many of you have marked them as confidential.

Mr. Hallifax.—We merely asked you to treat our costs as confidential. The rest you could publish.

Dr. Matthai.—You say in your letter, dated the 26th October, 1929, "We beg that this application as well as figures relating to our works particularly the figures of cost may be treated as strictly private and confidential".

Mr. Hallifax.—That is because we have given you our case about the additional land.

President.—If anything is marked confidential, it is simply treated as confidential.

Mr. Greenfield.—We only want you to consider our costs as confidential.

Mr. Hallifax.—The rest of the documents you can refer to the Chambers of Commerce for their opinion.

President.—It is for you to put forward your case. You go to the Chamber of Commerce and put forward your case to them. If the Chamber of Commerce put forward your case as their case, we would be very glad to hear what they have to say. At the beginning of the enquiry if a Chamber of Commerce takes up the case of a particular manufacturer, that Chamber's opinion does not carry us far.

Mr. Hallifax.—We don't want the Chamber of Commerce to take up our case. We only want them to consider our scheme.

President.—So far as individual manufacturers are concerned, we examine them on their proposals when we take their oral evidence.

Mr. Hallifax.—When do you propose to take the evidence of the Indian Merchants Chamber?

President.—We don't want to take their evidence at this stage. You are always at liberty to send in your representation in writing provided it is sent in reasonable time. Of course you will be given an opportunity of giving your oral evidence in Bombay or Calcutta.

Mr. Hallifax.—Within what period are we likely to be examined?

President.—It would probably be at the end of January. We will try and meet your convenience as far as possible.

Mr. Hallifax.—We have got time up to that date to get the Chambers of Commerce to interest themselves in our case.

President.—Yes.



GRAX LIMITEDKARACHI.

Evidence of Messrs. C. J. HALLIFAX, C.S.I., C.B.E., I.C.S. (re tired) and H. GREENFIELD, recorded at Karachi on Wednesday, the 27th November, 1929.

(The other salt manufacturers of Karachi were also present).

President.—Before we proceed, there is one point I want to clear up. I hope I shall be at liberty to make use of all the materials given by you.

Mr. Hallifax.—Certainly. I should like to point out that in your questionnaire you recognise the difficulty which manufacturers may feel in disclosing to the public the details of their works costs, and you have said " it is very desirable that the total of the works costs should be disclosed in all cases not necessarily for publication, but for the information of the Board ". We understood from that you would allow things to be put in confidentially.

President.—I agree there is room for misunderstanding.

Mr. Hallifax.—I don't wish you to go away with the idea that we are anxious to keep anything from you or from the public.

President.—We have to adopt a general form and we must get the information to start with.

Mr. Hallifax.—I hope that you will understand that it is a misunderstanding.

President.—We understand what the position is. We are very much obliged to you because it really simplifies matters.

Mr. Greenfield.—We wish to help you in every way.

Mr. Hallifax.—What we object to is the publication of our processes.

President.—Those things you are entitled to keep as secret. As we pointed out the other day we only go into processes to the extent to which it is necessary for us to estimate your costs.

Mr. Hallifax.—We give you full particulars.

President.—Thank you very much. I think that the information is very necessary.

Mr. Hallifax.—I might mention here that the reason why we asked you to treat those papers as confidential is because they included an application for land which contained many details and particulars which are private. It is possible that all these things may get out and may be pirated. That has been done in the past in connection with this very same land.

President.—Do you wish that application to be treated as confidential?

Mr. Hallifax.—If you are asking all the other parties what their plans are, you throw the whole thing to public. It is too late for anybody to pirate.

Danger of over-production.

President.—I think I should explain to you and to others about this idea of getting more land. Of course it is for you to consider whether you want more land and whether you want to produce more salt in this place but if you look at the figures relating to the demand and the possibilities of production as the industry is now situated, there does not appear to be very much room for expansion. I will tell you why. There is only a market of 300,000 tons available if you allow Aden to retain its market which is certainly more than 200,000 tons.

Mr. Greenfield.—It is 260,000 tons.

President.—There is Burma which uses about 60,000 tons. The Burma problem has to be investigated by us separately and Burma may wish to

produce its own salt. The total imports are about 550,000 tons or very nearly 600,000 tons of which 60,000 tons goes out. Then there is a certain class of superior salt which would still continue to come in for some time. That may take away another 25,000 tons. What remains is just about 300,000 tons. You are already equipped to produce 100,000 tons. There is also Okha which is equipped to produce a good portion of the demand. But its costs are based on 60,000 tons.

Mr. Greenfield.—Those are the figures that we got yesterday but they are not all for fine white salt.

President.—I am trying to explain to you the position. You may make use of it for what it is worth. The Okha costs are actually based on a production of 60,000 tons. They can run up to even 400,000 tons. It is possible that Khewra may put a considerable quantity of salt on the market west of Calcutta, which is Bihar. Khewra salt has been sold there before and it may be sold there again. If it could put say 50,000 tons more into that market and Sambhar took a slice off, there is no room for any further expansion of the industry in Karachi and you will start the industry under conditions of over-production.

Mr. Hallifax.—I think that it is a good thing that you have made this statement. In order to expand our industry, we will have to raise capital. Your statement will cause capitalists to go into the matter with great care before they invest their money and it is up to us to prove our case to the capitalists.

President.—All I am suggesting to you is this that it is no good starting a new industry under conditions of over-production, and I have pointed out to you the situation as it appears to me.

Mr. Greenfield.—As regards the question of Okha and the quality of salt produced there, this is what the man who is selling the Okha salt says (handed in). I thought that this would interest you.

President.—They told us that the consignment that they sent recently to Calcutta was not up to the quality.

Mr. Greenfield.—The reason for the increase in Okha sales is that Messrs. Grax, Limited, went out of stock in Calcutta.

President.—There is nothing to go by. Okha was using all old fashioned pans at that time and the pans are now quite new. It was a mistake on their part to have shipped that consignment. They did not take care to separate the inferior from the superior salt.

Mr. Hallifax.—I have myself been to Okha and it is a very fine proposition.

President.—If you have been there as recently as we have been, you will agree that the quality of salt they are producing is very fine and quite different from what they have put in the market.

Mr. Hallifax.—We shall keep in view all that you said and of course we had that in view before.

President.—But this scramble that is going on just now for additional land requires more consideration from a business point of view.

Dr. Matthai.—If you did not have any additional land, your total capacity in respect of white salt would be 20,000 tons a year.

Mr. Hallifax.—About 50,000 tons a year. We could produce about 4,000 tons a month provided we used as much of the land as we possibly could for condensers and increased the number of pans.

Dr. Matthai.—You say in reply to question 4 " But even if we get no more land upon the land application which we have submitted to Government, we shall nevertheless not only extend our primary condensers but we shall also make three new sets of special pans, and will then have 400 clay pans, four groups of special pans, and our common salt pans, and our outturn will be 539,000 maunds of salt for export . . . ." so that the export figure is really about 20,000 tons.

Mr. Hallifax.—I was thinking of the additional 44 acres that we want for certain processes of condensation which would practically double our output.

Dr. Matthai.—That would bring it up to 40,000 tons a year.

Mr. Hallifax.—To 10 lakhs of maunds.

Dr. Matthai.—For what purpose do you require these 44 acres—for primary or secondary condensers?

Mr. Hallifax.—For secondary condensers.

President.—If these other people prdouced 25,000 tons each, it would come to 100,000 tons. If Okha produced that quantity and if Aden increased its output, there would not be very much scope on the present demand.

Mr. Greenfield.—The demand could be increased.

President.—It has not increased.

Mr. Greenfield.—We have had enquiries from Japan.

Mr. Hallifax.—Persia and other places too.

President.—We are only dealing with the Indian market and the figures do not suggest that the consumption of salt has been going up very much.

Dr. Matthai.—Have you ever made any kind of investigation of the possibilities of export outside India?

Mr. Hallifax.—We had an application from Japan and also from Persia. At the present moment we are not producing enough to induce us to try and find a market outside India.

Replies to questionnaire.

President.—We shall now go on with the answers to the questionnaire. I understand that your company is a private limited liability company.

Mr. Hallifax.—Yes.

President.—There are only three shareholders.

Mr. Hallifax.—No, at present we have 22 shareholders.

President.—What is the maximum limit?

Mr. Hallifax.—50.

President.—What is the proportion of Indian capital?

Mr. Hallifax.—Rs. 25,000 is Indian capital, subscribed and we are just getting another subscription of Rs. 25,000 Indian capital.

President.—That is about 10 per cent. of the authorised capital.

Mr. Hallifax.—Yes.

President.—What percentage have they actually subscribed?

Mr. Hallifax.—Rs. 4 lakhs is the paid up capital.

President.—And Rs. 60,000 is Indian.

Mr. Hallifax.—Rs. 50,000 is Indian capital.

President.—If we put forward any scheme which amounts to any assistance by Government, then you know the Government policy, don't you?

Mr. Hallifax.—That is our policy. Indian subscribers would take up our shares.

President.—In the Steel industry it was actually laid down.

Mr. Hallifax.—We wish them to take up our shares and become directors.

President.—Supposing that the scheme takes a different form from the ordinary scheme of protection by duties, then the Government may insist upon confining the assistance to those companies which fulfil those conditions.

Mr. Hallifax.—That would suit us. From the very beginning we have tried to attract Indian capital but Indian capital is shy of entering a new enterprise behind which there is no experience.

President.—Up to the present about Rs. 25,000 has been subscribed by Indians?

Mr. Hallifax.—Since then we have had another Indian subscribing Rs. 25,000.

President.—Have you got an Indian director?

Mr. Hallifax.—We had, but for private reasons he resigned.

President.—There are only two directors at the present moment.

Mr. Hallifax.—No, there are four.

President.—Who are the four?

Mr. Hallifax.—Mr. Bennett, Mrs. Hallifax.

President.—And the two of you?

Mr. Hallifax.—Yes.

President.—How many directors can you have?

Mr. Hallifax.—Not more than 7.

President.—There is room for three more directors.

Mr. Hallifax.—Yes. The idea is that if we go on and extend, we shall extend not as a private company but as a public company.

President.—This Mr. Chellaram, is he a shareholder?

Mr. Hallifax.—No.

President.—That was the gentleman whom you introduced to us the other day.

Mr. Hallifax.—Yes.

President.—Is he in charge of labour?

Mr. Hallifax.—A sort of confidential factotum.

President.—Anyhow this question does not arise now, but I have given you what the Assembly and the Government expect when they assist an industry.

Mr. Hallifax.—It has been our effort to get Indian subscribers.

President.—Your works were originally worked by Mr. Greenfield.

Mr. Hallifax.—Yes.

President.—Mr. Greenfield, how long did you work?

Mr. Greenfield.—Nearly two years; to be exact one year and 9 months.

Dr. Matthai.—You got your lease in 1925?

Mr. Greenfield.—Yes.

Dr. Matthai.—And then Grax Limited was organised in 1927.

Mr. Greenfield.—Yes.

President.—And you sold your interest to Grax Limited.

Mr. Greenfield.—Yes.

Capitalisation.

President.—We do not go into that question now because it is for your shareholders to satisfy themselves whether the price that was paid was correct or not. But you have taken a sum of Rs. 30,000 for your goodwill.

Mr. Greenfield.—Goodwill was Rs. 1 lakh.

President.—By goodwill, what do you mean?

Mr. Greenfield.—Up to date it has entailed nine years' work.

President.—I think you said two years.

Mr. Greenfield.—Altogether I have spent nine years. I have studied five years previously and experimented on salt in Maurypur.

President.—At Government works?

Mr. Greenfield.—Yes.

President.—Were you working the present Moon Works?

Mr. Greenfield.—I have been making small experiments entirely on my own.

President.—That is not a question for us to consider. The question that we will have to consider is on what capitalisation you are entitled to earn a reasonable return. That is apart from goodwill. We simply say that a works of this capacity will cost so much. We have to make an estimate. Generally in our scheme we do not make any provision for individual manufacturers. We take what we consider to be a type and then we say that this works in order to produce so much salt must have a capitalisation of so much. On that we calculate the usual charges and then we say that this is the price the manufacturer ought to get, so that it is not necessary for to us to go into all those details as to what the company actually paid you and how much it was worth to the company. We have to take evidence as to what the earning capacity of the plant is and what it is worth or rather what is its replacement value. At present as far as I can see from your figures you have got no means of pointing that out. If we deduct this amount that has been paid to you for goodwill, your capital at once comes down by a lakh of rupees.

Mr. Greenfield.—It does. Goodwill always represents an asset for certain items which ought to be included in the accounts.

President.—It is an asset to the Company. We have got other companies who have paid nothing for their goodwill. What we are concerned with at the moment is what would be the cost of your works to produce so much output and how much the incidence of these charges would be per ton.

Mr. Greenfield.—You might arrive at the figures as you think most suitable.

President.—But taking your own block value as given in your balance sheet, the actual value of the block, not making any allowance for the goodwill, is that it would be less by a lakh of rupees.

Mr. Greenfield.—Yes.

Dr. Matthai.—The point that you make is that supposing the thing was started as an entirely new works, a certain amount of expenditure would have been necessary for preliminary experimental works.

Mr. Greenfield.—Yes, a great deal. It would require more than a lakh to do that.

Dr. Matthai.—Part of your goodwill represented that experimental work.

Mr. Greenfield.—Yes.

Mr. Hallifax.—The goodwill represents the preliminary work done to get the scheme up to the stage at which the company took it over.

Mr. Greenfield.—That is an asset.

President.—In making an estimate we always take into account the initial cost. It may take two years to construct for instance. That means locking up a certain amount. Then, it may take two years to get it going. Those things we do take into account.

Mr. Greenfield.—In my case spent about 7 years before the Company took it over.

President.—The answer is that as you have already been in the field, you have got the first start.

Mr. Greenfield.—All the spade work I had to do.

Production.

President.—It is important to get more accurate figures. What do you estimate your output at?—Supposing you did not get any additional land, would your output be about 30,000 tons?

Mr. Greenfield.—Very much more than that.

Mr. Hallifax.—The figure you are referring to is for export only.

Dr. Matthai.—About 40,000 tons I think.

President.—Is it necessary to introduce the complication about export?

Mr. Hallifax.—No.

President.—I think that it is much better for you to give us the whole figure.

Mr. Hallifax.—Say 50,000 tons.

Mr. Greenfield.—We intend sending out all our salt crushed.

President.—It is important to know what the total production would come to.

Mr. Hallifax.—This is our intention.

Dr. Matthai.—Taking both the export and local markets, without this additional land of 44 acres for secondary condensers you would have 26,000 tons and with them probably it may be 55,000 tons.

Mr. Hallifax.—Yes.

President.—As regards 44 acres, you don't anticipate any difficulty.

Mr. Hallifax.—Some difficulty we do anticipate.

President.—Whose property is this?

Mr. Hallifax.—It is municipal property. Under the law, only Government property can be used for the manufacture of salt. It should be leased to us for that purpose. Therefore before this can be leased to us for salt manufacture, it must be taken over by Government from the municipality and there may be questions regarding the conditions on which the municipality will give it to Government. It would perhaps take some time to settle those points.

President.—That is a matter of time. Apart from that, do you anticipate any difficulty?

Mr. Hallifax.—As far as we can see, it is not likely to be appropriated for any other use.

President.—If you got that, your output would come to about 50,000 tons

Mr. Hallifax.—Yes.

Dr. Matthai.—Speaking roughly, within what time do you think that you would be able to get it?

Mr. Hallifax.—We have not applied for that land yet because the Central Board of Revenue have told us that no more applications would be considered by Government before the 1st of January.

Dr. Matthai.—So, it is entirely an uncertain factor.

Mr. Hallifax.—Yes.

President.—Whatever the date may be which the Government fix, it is very unlikely that they would take any action before this Board reports.

Mr. Hallifax.—They have told us that they won't.

Mr. Greenfield.—That may mean a few months more.

President.—It may take a few years. You do not know our procedure.

Mr. Greenfield.—I was going to suggest that.

Quality.

President.—I want to ask you a few questions about quality. Sometimes quality is the equivalent of a name merely, that is to say, it is manufactured by a certain person or manufactured in a certain place. I think I have explained to you before that I do not consider it a good criterion. Therefore we must now take the quality of salt as salt. I take it that you would agree that salt being a chemical, it lends itself more easily to a standard being prescribed.

Mr. Greenfield.—It can be standardised—definitely standardised.

President.—Therefore it should be possible for Government, if it liked, to lay down certain standards saying that fine white superior quality shall contain so much of sodium chloride and so much of other things.

Mr. Greenfield.—That is where the fly in the ointment comes in.

President.—There are also appliances for ascertaining the degree of colour.

Mr. Greenfield.—There is no difficulty in finding out the colour.

President.—And also in enforcing it.

Mr. Greenfield.—Quite.

Mr. Hallifax.—But the question is whether you should have such standards.

President.—I am not looking at it from your personal point of view. The more the position is simplified, the better. We shall start from that. So far as I can see, there is no difference at all between Aden, Portsaid and Karachi salt. Therefore to have three qualities—one for Aden, one for Port Said and one for Karachi—for the same article, does seem to me that it is carrying things too far. I am speaking now from the public point of view. Of course, you are entitled to contend that your salt is superior though it may not be. Many articles are sold in the bazar as being superior, but they are not. The point is this: it is possible, I take it, to prescribe a standard.

Mr. Hallifax.—It is simple. It could be very clearly laid down.

President.—There should be no dispute about that.

Mr. Hallifax.—We should have no objection whatsoever to laying down a standard.

President.—Both as regards chemical contents and as regards colour.

Mr. Hallifax.—Yes.

Dr. Matthai.—Why did you suggest that it was unnecessary to introduce a colour test?

Mr. Hallifax.—The Indian people are now using salt which is slightly discoloured. If salt is going to be manufactured in clay pans, it will continue to be discoloured. There is a good deal of colour in the salt throughout India. Take, for instance, the Sambhar salt.

Dr. Matthai.—That is perfectly true. The point is that you can have salt which contains 99 per cent. sodium chloride and at the same time might be pinkish.

Mr. Hallifax.—Yes.

Dr. Matthai.—We are here concerned entirely with the Bengal market and the peculiarity of the Bengal market is that they want not merely a higher percentage of sodium chloride but pure white salt.

Mr. Greenfield.—As manufacturers we claim to understand our own business. If a market wants pure and white salt, you trust us to do our best to manufacture pure white salt to suit that market.

Dr. Matthai.—The difficulty would arise in this way. As a result of a scheme of protection that we suggest, supposing the import of salt from outside India is stopped, then you are free from competition, and Bengal being forced to consume your salt, you may be tempted to put a coloured salt in the market.

Mr. Hallifax.—In that case we should have no objection to your laying down a standard.

President.—That is the point.

Mr. Hallifax.—We are out to make good salt and I don't think that we shall ever be induced by the state of the market to manufacture bad salt.

President.—As you know, it has happened particularly in salt.

Mr. Hallifax.—We should have no objection to a very high standard being laid down.

President.—The whole point is this. Supposing we had this marketing organisation—we do not know what the scheme is going to be; we are merely discussing it—it does not mean that you necessarily sell your superior salt at the same price as the ordinary salt because the marketing company, if it finds a market, may say to you " we want so much of this and how much can you

supply of that ". Therefore it is obvious that, if the quality is intrinsically superior, you would get a better price for that quality.

Mr. Hallifax.—You have got to consider the form of the salt too. Our good quality salt—what we call Quality No. 1—is just the same quality as extra fine crushed salt. But it does not sell because it is not crushed.

President.—As regards fine salt, there will be a distinction between crushed and uncrushed.

Mr. Greenfield.—Uncrushed salt is fine.

President.—Instead of calling it Liverpool salt, you may call it extra fine salt.

Mr. Greenfield.—It is a question of individuality in this case.

President.—15 per cent. is about the demand for superior salt.

Mr. Greenfield.—You may put under the same heading Liverpool and Hamburg.

President.—15 per cent. is superior salt and 80 per cent. is the other salt. Therefore that question will only arise with a small percentage of the total salt required by the market. There is nothing to prevent the marketing organisation from getting the best price for the salt it can get here.

Mr. Greenfield.—We should like to know how will you fix the price in the proportion of costs or profit?

Mr. Hallifax.—We have not understood how you will fix the price.

President.—Whose price?

Mr. Hallifax.—The marketing Board's price.

President.—The idea is this. We are dealing chiefly with the ordinary quality of salt which must conform to certain standards. We determine the fair selling price. Under this scheme, we would say that for the ordinary quality of crushed salt conforming to certain standards laid down each manufacturer will get so much.

Mr. Greenfield.—How would the prices be fixed? I am asking this just for the sake of clearing our minds on the subject.

President.—Our principles are well known. We fix the price in this way. We take what the works costs are, that is to say the cost of manufacture at the works. Then, we add the other charges—depreciation, other incidental charges and the return on capital. In all our previous enquiries we have taken 6¼ per cent. as the rate of depreciation on the whole block value and we have allowed 10 per cent. as profit in other enquiries. Then, we add the whole thing together and say at the works this is what the manufacturer is going to get.

Mr. Greenfield.—Supposing this scheme is put forward and passed, it would not be an attractive proposition to investors in India. We are anxious to secure Indian capital. We are anxious to establish this industry. Will this be a sufficient inducement for the Indian capitalists to invest their money?

Dr. Matthai.—Do you mean that 10 per cent. would not be sufficient?

Mr. Greenfield.—A fixed percentage gives very little inducement to put money into this industry.

Dr. Matthai.—That is a point for consideration.

Mr. Greenfield.—It would kill enterprise. I thought that you had not heard of this before.

President.—We have heard of it every time. This country follows a policy of discriminating protection. It does not expect an industry to progress too much, that is to say it must find its way gradually. However we are prepared to consider that. I am explaining to you the principle upon which we act.

Mr. Greenfield.—The principle is very closely bound up . . . . .

President.—We are prepared to consider that.

Mr. Hallifax.—After allowing for depreciation and everything, you are prepared to allow a profit of 10 per cent.?

Mr. Mathias.—*Plus* any profit which you might make as a result of economies.

Mr. Hallifax.—You would fix a price which would hold good say for 10 years.

Dr. Matthai.—For the period of protection.

President.—So that you might have the benefit of that for some years.

Mr. Greenfield.—Supposing this scheme works all right—and we are getting protection and also getting a fixed profit—as far as I understand under these conditions quality or the individual manufacturer's quality would be submerged. As soon as protection is removed what is going to happen. Each manufacturer has to scramble for his own market. It does not seem to me to be attractive from that point of view.

Marketing organisation.

President.—That is where the marketing organisation comes in. The marketing organisation lends itself to a permanent solution. There is no change of policy.

Mr. Greenfield.—That is another matter.

President.—Government has got to change its present policy entirely and commit itself to this system. When that comes in, there is no question of protection. All foreign salt is shut out.

Mr. Greenfield.—Now I see.

President.—That is what is really in favour of an organisation which controls the whole thing.

Mr. Greenfield.—That has a great deal to recommend itself.

Dr. Matthai.—And tenders would be called for in India only by this organisation.

Mr. Hallifax.—How will you deal with foreign salt?

President.—It will be imported only by the Marketing Board to the extent to which it may be necessary.

Mr. Hallifax.—Yes, by tenders I take it.

President.—Yes. You won't come in competition with foreign salt. If there is over-production—supposing India requires 500,000 tons and India produces 1,000,000 tons of the same quality—what is the marketing organisation to do except to ask you to tender?

Mr. Greenfield.—Supposing there is no marketing organisation and there is over-production, there is a natural outlet. Somebody will have to shut down.

President.—You cannot have it both ways. Protection will come to an end after a certain number of years.

Mr. Hallifax.—We want stabilisation of prices and we want you to leave the manufacturers to do as best as they can. If there is over-production, those manufacturers who go ahead will get the market and those manufacturers who are behind the time will be wiped out.

President.—That is what I have been putting forward to you all these days.

Mr. Hallifax.—Your scheme does not let the manufacturer have an individual place in the market; we wish ourselves to market Grax salt.

President.—How is that to be done? It cannot be done. I shall try and explain to you presently. Let us take a figure for the sake of argument. You have asked for Rs. 75 per 100 maunds. We say that Rs. 75 is the price for Indian salt.

Mr. Hallifax.—For a particular quality.

President.—Yes, for a particular quality of Indian salt we fix that. Then, you have got Aden. As I pointed out to you the other day, you have not given sufficient consideration to that question. Aden we cannot keep out under a scheme in which there is no control. Therefore Aden starts with an initial advantage against you. Though the price in India may be Rs. 75, when Aden begins to compete against you, you may be left out. That is a risk that you have to consider from your point of view. Our terms of reference are perfectly clear on that point. Aden is part of India. Now take Okha for instance. At Rs. 75, Okha will do very well and will expand or somebody may discover a nearer site than yours to the Calcutta market if the price is stabilised at Rs. 75 for a considerable period. What are we to do then? You cannot have it both ways.

Mr. Hallifax.—Have you considered the scheme which we have suggested which would provide for everything, when you would stablise the price of the old established salts imported into Calcutta?

President.—There are obvious objections to it. Supposing Romania comes in or any other country which is not in the market comes in, it really involves an amount of interference which no Government would undertake. That I can tell you and I do not think that this Board will recommend it.

Mr. Greenfield.—Surely there is interference in your system.

President.—We can do this much if this would suit you better. We will say that we are not prepared to differentiate between different countries as regards qualities. That you may take from us, because it is not practicable. We may be prepared to say " all right, no foreign salt shall come into the country below a certain price ", without specifying the quality. Let us take the limit of Rs. 75. If the price drops below Rs. 75, the duty goes up in the case of foreign salt. The price would be so fixed that it would be the minimum for the lowest quality and the highest quality is left out.

Mr. Hallifax.—You only fix for the very lowest quality.

President.—The quality that comes into the market. That salt will not come into the country. We will be prepared to consider this. If you want the price to be limited, that is the ordinary scheme of protection, that is to say, white crushed salt shall not come in below Rs. 70 or 75—just by way of illustration—if the price drops below Rs. 70 to Rs. 50, the duty goes up by Rs. 20 as you have got in the Steel industry scheme. That is a feasible proposition.

Mr. Greenfield.—That is the same thing.

Mr. Hallifax.—How will the marketing board operate?

President.—Then, there is no question of a marketing board.

Mr. Hallifax.—We will sell it at our own price.

President.—Yes.

Mr. Hallifax.—And under our own name.

President.—Then, if the quality deteriorates, the foreign salt will come in and you will have to compete against that. We will fix a price that will give you a reasonable return on your capital and if you want to secure your own market, you are at liberty to do so. Then the question of Aden comes in.

Mr. Hallifax.—Could we undersell the price fixed by you?

President.—You can do so. Anybody can do so. Then take the case of Aden. If you are able to sell at Rs. 70, it is certain on the figures that they have given that they will undersell you.

Mr. Greenfield.—We know that very well.

President.—What do you propose in that case? So far as we are concerned we can simply say that Aden is part of British India and therefore India becomes self-supporting even if all the salt comes from Aden. That is the simplest proposition for us. If you agree to that, we have no objection to it whatsoever.

Mr. Greenfield.—Could you give us an idea of the possibilities of the expansion of salt manufacture in Aden?

Mr. Mathias.—They claim that they will be able to supply 350,000 tons.

Dr. Matthai.—That is about 100,000 tons more than now.

Mr. Greenfield.—I got a very small parcel from Aden and I had to pay a duty.

President.—Instead of excise, they collect the Customs duty.

Mr. Greenfield.—The same thing may apply to salt.

President.—It is in lieu of the excise duty that they collect the Customs duty. It was for that reason that we were considering the other scheme as an alternative. But if you think that you do not want any marketing organisation and you want your quality to be pushed by yourselves, do so by all means and it will simplify matters for us.

Mr. Hallifax.—The marketing should be done by the manufacturers themselves.

President.—Which is better for you? Under the scheme you are advocating, you stand the chance of losing the whole market.

Mr. Greenfield.—If you are going to give us protection and fix a minimum rate, that is sufficient for manufacturers to compete between themselves.

Mr. Hallifax.—The President says that Aden might wipe us out.

President.—You are knocking your head against a brickwall.

Mr. Mathias.—You raised a point about articles coming in from Aden. I understand that there is no customs staff there. If no duty were payable on articles shipped from Aden, it might be possible to send articles from England to Aden and then get them re-shipped to India.

President.—There is Okha. Okha's costs are not higher than yours. We have got them and you are at liberty to see them. As far as one can see at present, if all their expectations are realised, they ought to be able to undersell Karachi—at any rate they might sell at the same price.

Dr. Matthai.—The point that you have to consider is how far you will be prepared to stick to your own scheme with the risk of being swamped by Aden and Okha.

Mr. Greenfield.—Do you mean the scheme of stabilising prices which we have put forward?

Dr. Matthai.—Yes.

President.—Stabilisation of prices on the footing that every quality has got its own price and so on is not practicable. No Government will do it and we will not recommend it. It will mean a lot of interference and it will mean a thousand and one other things. Whenever any new country comes in a price has to be fixed. Then there are the most favoured nations clauses which will prevent us from doing that. The British Government have entered into treaties with foreign countries and they have got what are known as most favoured nations clauses. Therefore you cannot put a higher duty against Italy than you can against France for instance.

Mr. Greenfield.—There is another alternative which we have put forward of fixing so much per maund.

Mr. Mathias.—Simply increase the Customs duty?

Mr. Greenfield.—Yes.

Mr. Hallifax.—He means compensating manufacturers. A small import duty should be put on, the proceeds of which should be utilised for making up to fixed standards the prices realised by Indian manufacturers for their salt.

President.—There is Aden. If you give three annas more to Aden you will be swamped out.

Mr. Greenfield.—Aden comes in there too?

President.—Yes, Okha also will come in.

Mr. Hallifax.—We have no objection to Okha.

Dr. Matthai.—So far as Aden is concerned, it is all Indian capital and Indian management.

Mr. Hallifax.—The Legislative Assembly might have something to say on that. But can you not differentiate between parts of India?

Dr. Matthai.—They have refused to do it.

President.—Burma for instance produces no steel and is never likely to produce steel. It has got nothing to do with the Steel industry. Still, its price of steel has gone up because Burma is part of British India. Therefore it was for that reason that we were trying to find a way by which this industry as far as possible could be saved for the continent of India having regard to the vested interests of Aden.

Mr. Greenfield.—Let us have time to consider the matter.

President.—The other alternative is simply this. We will put forward our ordinary scheme of protection which means that if the foreign price drops below a certain price, then an additional duty should be put on.

Mr. Greenfield.—Under this would Aden come in?

Mr. Mathias.—The duty would only be levied on salt coming from outside India.

Mr. Greenfield.—I have never looked at it from that point of view. I always thought that Aden could be shut out.

President.—It cannot be done. We cannot make any distinction between Aden and you. Even under that, Aden must come in.

Mr. Hallifax.—The distinction in that case should be between old and new.

President.—There is no question of old and new.

Mr. Hallifax.—They are established and we are not.

President.—If you are new, Aden is also new. So far as we are concerned, that is conclusive, and nothing can be done. Only under some form of marketing organisation it may be possible to make suggestions by which the Industry may be divided between Aden and the Continent of India.

Mr. Greenfield.—The marketing board would include Aden?

President.—Yes.

Mr. Greenfield.—They are still coming in.

Mr. Hallifax.—Would it be so much from Aden and so much from India?

President.—Yes.

Mr. Hallifax.—It would limit the Aden imports.

President.—That is what we contemplate if we put it forward at all. Obviously India is interested in salt being produced in the Continent of India The scheme must be consistent with the interests of Aden.

Mr. Greenfield.—Supposing Aden was supplying half of India's requirements, would the imports from Aden be fixed in that ratio?

President.—We will have to determine that.

Mr. Greenfield.—Then the chances for India would be something like 200,000 or 300,000 tons.

President.—Part of the works there for instance belongs to an Italian proprietor. He may have to submit to the same rules as an Indian manufacturer. He must Indianise his works. That can only be done in the marketing scheme and not in any other. If he markets the salt, it is the only way of compelling him to do so, but if he fails to do it, we can say 'so much less for Aden'. That is how we have to start. Do you want this industry to be transferred to Aden?

Mr. Greenfield.—No.

Mr. Hallifax.—Will the marketing Board do like this? First of all it will find out ow much salt of the quality prescribed can be produced in

India in a particular year and take the whole of that, leaving to Aden and other places the balance.

President.—It must include Aden.

Mr. Mathias.—It would take the whole of your output at present.

Mr. Hallifax.—Yes, but what will happen after a few years?

President.—Once the industry finds that over-production means competition it is not likely to take the risk of over-producing. The industry will more or less stabilise itself.

Mr. Greenfield.—Quite true. We hope to export outside India.

President.—You can do as you like. I want you to consider the whole thing.

Mr. Hallifax.—There are other markets which are open to us.

President.—As regards that, you can do as you like.

Mr. Greenfield.—This means that the Indian salt industry will be very cramped. As far as its prospects of expansion are concerned, we can only look to about 300,000 tons a year.

Dr. Matthai.—Under any other scheme, it may be much less.

Mr. Greenfield.—I agree. I admit that 300,000 tons is a good bit.

President.—Haven't you read the terms of reference? It refers to Aden and it refers to the Indian States.

Mr. Greenfield.—Aden will be considered, not as part of India as far as I have read.

Mr. Mathias.—There is the fact that Aden is administered by Bombay.

Mr. Greenfield.—The marketing Board will only concern itself with the salt sold in Bengal?

President.—I have not considered that. The marketing Board may deal with whatever market it can command. There is nothing to prevent it.

Mr. Greenfield.—Will it deal with the whole of India?

President.—It may do so.

Mr. Greenfield.—It will mean a big organisation.

President.—The marketing organisation really speaking to start with would simply mean this. This Board alone can import salt. It will be compelled to buy Indian salt and whatever India does not produce, it would import. As regards its marketing area, it would not be possible to lay down any limitations.

Mr. Hallifax.—There is another point. If it called for tenders at the works and then pooled the transport prices that would be distinctly to the disadvantage of a place like Karachi which has sea transport to Calcutta. Supposing Sambhar for instance made a tender and the marketing board accepted it, Karachi would practically be paying for the Sambhar salt.

President.—The procedure would be slightly different. We contemplate that the marketing board will make all the arrangements as regards freight both sea and rail to start with. Supposing there is a comparison to be made between the Sambhar price and the Karachi price, it must take into account the total cost of transport from both places to the market and see whether the Sambhar salt is cheaper or dearer and then of course whichever is cheaper it would take. Supposing it costs Rs. 15 to take the salt from Sambhar and Rs. 10 from this place and the price of Sambhar salt is Rs. 5, and yours Rs. 7, the total cost in the case of Sambhar comes to Rs. 20 and Rs. 17 in your case, and you will get the order. The marketing board will be able to tell you what the transport charges are.

Mr. Hallifax.—They won't pool?

President.—No.

Mr. Hallifax.—You will call for tenders?

President.—Indian tenders will only be called for when there is over-production; otherwise not.

Mr. Hallifax.—I see the point. We will make 50,000 tons, and under your scheme we will have to work on fixed rates.

President.—That will lead to over-production much sooner than you expect. It is much better for you to fix a price which will not be attractive to other people to come in.

Mr. Greenfield.—Human nature is to get rich quick.

President.—The lower the price the better for you and for the industry in the long run.

Mr. Hallifax.—At any rate, Karachi would have a chance of marketing its salt in Calcutta on its own merits without any adjustments of transport charges or other charges to the advantage of other salt.

President.—So long as there is no over-production, this question does not arise. When there is over-production and everybody tenders these things will come in. If Sambhar salt can be imported in a particular market—Calcutta or whatever the market is—only at a higher total cost than yours, then of course you get it.

Mr. Greenfield.—That will be after the quality is fixed.

President.—There is no question of quality coming in. Only the whole demand is met by Indian salt. So far as the f.o.b. price or f.o.r. price is concerned, it will be the same for all places in India. Sambhar will have to sell at the same price.

Mr. Hallifax.—If, for instance, the railway freight charges were such that it did not enable Sambhar salt to be put on a particular market, it would be out of it.

Mr. Greenfield.—I suppose that the same thing applies to Khewra.

President.—Yes.

Mr. Greenfield.—There is going to be no adjustment for transport charges.

President.—As far as I can see at present, we want to consider all the points.

Mr. Hallifax.—If there is no pooling arrangement as regards transport we want to compete on our own merits.

President.—Mr. Hallifax, I hope you have understood this point. The question of transport does not arise so long as India does not over-produce but when it begins to over-produce, then Sambhar, Khewra and Karachi tender. The market is say Patna. They have got to buy certain quantities. They will have to compare prices at Patna and add the freight. Now this is what it comes to. Whichever is cheaper will be bought. As regards Calcutta and east of Calcutta you will always be at an advantage, but as regards the markets west of Calcutta it is very doubtful.

Mr. Hallifax.—Our salt would be marketed there but we are not concerned at the present moment in finding out what the freight charges are. If the marketing board came into being and called for tenders for the delivery of salt at places inland, we shall have to find out.

President.—You will be told so far as the marketing organisation is concerned that so much is required. All the charges also would be given to you so that you can see for yourself.

Mr. Hallifax.—At the present moment we are only concerned with the price of salt in Calcutta.

Mr. Greenfield.—I wish to have this point cleared up about tendering after full production has been reached. I take it that each manufacturer will be at liberty to keep on increasing his output. Supposing Karachi produces—I am coming to the question of quota.

President.—There is no question of quota here.

Mr. Greenfield.—Supposing Karachi produces in three or five years time 200,000 tons and Sambhar also produces about 100,000 tons, the two centres alone will be able to supply 300,000 tons. Immediately afterwards comes in the question of tenders. Now I take it that up to 300,000 tons it will be a flat rate. Therefore the question of quota comes in.

President.—No, it is not a flat rate.

Mr. Mathias.—The quota system has been suggested in other industries but there are practical difficulties in fixing quotas.

Mr. Greenfield.—Sambhar will be entitled to supply 100,000 tons which it has been supplying.

Mr. Mathias.—The Indian demand is 550,000 tons. As soon as India including Aden produces more than 550,000 tons—say 700,000 tons—then tenders will be called for and the lowest tender accepted.

Mr. Greenfield.—For the total quantity?

Mr. Mathias.—Yes, for the year. For instance, if Karachi failed to secure an order, it would have to go without manufacturing salt for a year.

Mr. Greenfield.—That will mean shutting down our works.

Mr. Hallifax.—You are encouraging people to invest money in the salt industry with a specified profit of 10 per cent. Under the conditions you have been describing, there is a chance of the industry being shut down.

President.—What do you suggest? I want your opinion.

Dr. Matthai.—The difficulty there is simply this. Supposing India produces 700,000 tons against a market of 500,000 tons, then it is entirely on the basis of tenders that the thing would be determined. You have put down more capital and you have developed your works and it may be that your tender is not the lowest and you are wiped out. But then looking at it from the point of view of the country as a whole, the country retains its salt industry and only your works is shut down.

Mr. Greenfield.—That is cruelty to animals!

President.—Do you suggest that the marketing board should control also production and say that no works shall be started.

Mr. Greenfield.—There will have to be some sort of quota system.

President.—The marketing board will say that there is no further demand in the country for salt. Both production and marketing will be controlled.

Mr. Hallifax.—Those companies that have been started already to manufacture salt must, at the end of the period of protection, have some sort of assurance that they will not be wiped out.

President.—Every scheme of protection contemplates that there would be over-production at the end of it and the industry then has got to place itself on its feet. We cannot make provision for all time. In every industry, this happens. It will be for you afterwards to come forward and say that you want assistance in some other way but we cannot protect you—no country can—against over-production except a monopoly controlling both production and marketing.

Mr. Mathias.—Then your manufacturers will have to fight it out between yourselves and fix a quota.

President.—Supposing I was running a business in Karachi, I would take jolly good care that I did not build much hope on any market in which I was likely to come into conflict with Sambhar or Khewra, because having a shorter lead as compared with Karachi they might be able to get that market. Therefore I would confine my attention to those places in regard to which I was more favourably situated which would be the immediate vicinity of Calcutta. But as regards over-production there is no scheme on earth which can prevent it or which can provide any remedy against it. It is happening everywhere. Look at Lancashire. Look at our cotton indus-

try. Government cannot do anything. It is for the industry to organise itself and say that it will not over-produce.

Mr. Mathias.—I understand your real objection is this that this scheme of a selling board will be effective for a period. It only puts back the difficulty some four or five years until you are all over-producing and then Aden will cut you out.

Mr. Hallifax.—Sambhar might cut us out. The acceptance of one tender against another will cut out a certain number of Indian companies.

Mr. Mathias.—That puts back the difficulties only for a certain number of years.

Mr. Hallifax.—Yes.

President.—The whole policy has to be changed. The Aden question can be solved in some way or other.

Mr. Hallifax.—If it cannot be solved now, how can it be solved then?

President.—It is only under the system of control that that is possible.

Mr. Hallifax.—The control will end after a period.

President.—Why should it end?

Mr. Hallifax.—You contemplate that it will end?

President.—The marketing board does not necessarily end at all because it is a new system to be introduced by Government and it must remain.

Mr. Hallifax.—Supposing the marketing board remains, if there is over-production the tender system will knock out certain companies which you have encouraged.

President.—We do not encourage anybody.

Mr. Greenfield.—Government say that they wish to encourage industries.

President.—Whatever Government does is never right. That is what people say.

Mr. Hallifax.—That is different. I have also been a member of Government.

President.—If they do not encourage you, you say that they do not encourage you. If they encourage you too much you say that they are responsible. There are these difficulties and I want a solution.

Mr. Hallifax.—One solution you say is control of manufacture.

President.—Under one organisation which controls output as well as marketing—that is complete control. Then it says 'all right, there is no over-production'.

Mr. Greenfield.—The question of tenders will come in later.

President.—No, it simply says 'no more works'.

Mr. Hallifax.—It will say that the outturn must be fixed. It would not limit the process or the costs.

Mr. Greenfield.—That is worth considering.

Mr. Mathias.—Don't you think that it would rather tend to prevent progress?

Mr. Greenfield.—The scheme tends to prevent progress.

Mr. Mathias.—Supposing a process is discovered by which it is possible to produce salt by using coal cheaper on the east coast than the west coast, under the control of manufacture, they would not be able to start.

Mr. Greenfield.—That is just the point.

Mr. Hallifax.—If you are encouraging companies to manufacture salt you have to give them some guarantee that they will be allowed to continue to manufacture salt after the period of protection.

Mr. Mathias.—It will perpetuate the present position. It will stop progress. If Karachi, Aden and Okha were able to supply the whole of the Indian market and some one made investigations and discovered that at

Puri it would be possible to manufacture salt more cheaply than you could, then Puri would not be allowed to come in at all.

Mr. Hallifax.—Either Puri will have to be excluded or else the whole situation will have to be reconsidered.

Mr. Mathias.—In that case, you will be up against the same difficulty.

President.—I do not know whether I made myself clear to you, when I was talking about the fixing of minimum price for the ordinary consumer of foreign salt.

Mr. Hallifax.—By the import duty.

President.—Supposing the price is Rs. 70 and supposing that Rs. 70 is a fair price no question of duty arises for ordinary white crushed salt, which the bulk of the market wants. We say "It has already come down to Rs. 50 and so we will put this additional duty of Rs. 20", so that the price is stabilised for you. It does not mean that you will not get a better price for your better salt. It only means that that is the minimum price for your ordinary salt.

Mr. Hallifax.—I want to know whether the marketing board will be able to sell our superior salt as Grax salt.

President.—No.

Mr. Greenfield.—We should be left high and dry!

President.—We are not contemplating the expiration of this Board. It is going to be a permanent institution because salt is a commodity which is required for all time as far as we can see and salt has to be found in the country.

Mr. Hallifax.—Even then the name of Grax will be very useful.

President.—Then it means that everybody else competes. If we are going to allow that, what is the point of having a marketing board?

Mr. Hallifax.—Then the selling authority will allow some quota for each grade.

Mr. Mathias.—I do not think that you have quite followed the President's scheme. The second scheme which he put forward contemplated no marketing board. He would fix the price at Rs. 70 and there would be the varying duty. You can sell your salt at any price you like.

Mr. Greenfield.—Aden will swamp us out. Aden is the fly in the ointment.

Mr. Mathias.—So far as I can see, the question would be whether it would pay Aden better to sell say 200,000 tons in agreement with you or to compete against you, Okha and others, and crush you by reducing prices. You might find that Aden would prefer to get 200,000 tons at Rs. 65 rather than 300,000 tons at possibly Rs. 50.

Mr. Greenfield.—At the present moment they can knock the bottom out of the salt market.

Mr. Mathias.—It might not pay them. That would really be a matter for negotiation between you and Aden.

Mr. Greenfield.—Aden is making an enormous amount of profit.

President.—The higher the price you want, the more you are likely to be hit by Aden.

Dr. Matthai.—They say that the best of them make only 9 per cent.

Mr. Greenfield.—£500,000 was the profit made by one company for a half year.

Dr. Matthai.—That is the Portsaid Company?

Mr. Mathias.—There is another consideration in regard to the second scheme. I was suggesting just now that possibly Aden might find it more remunerative to limit their output to 200,000 tons and sell at Rs. 70 than enter into competition with you and get less. But the President suggests to me that it is quite possible that Aden might find it more remu-

nerative to drop their price to Rs. 50 and knock you out completely and then get Rs. 65 or Rs. 70 afterwards.

Mr. Hallifax.—Unless there is some regulation or stabilisation of price, we are always afraid of them.

President.—It is for that reason that we are putting our heads together to see how all the interests can be safeguarded.

Mr. Mathias.—It would not knock you out completely supposing you got the other 150,000 tons.

Mr. Greenfield.—That would just allow our pulse to beat.

President.—I have pointed out to you the difficulties. That is the reason why we have put forward the suggestion of a marketing organisation.

Mr. Greenfield.—We have got the points cleared up and we will give you our considered views later on.

President.—When?

Mr. Greenfield.—We want to discuss between ourselves and if we can give a united opinion, it will be so much the better.

President.—If Aden takes about 300,000 tons and if this undeveloped land also is to be utilised, there is not much room for expansion.

Mr. Mathias.—As far as I can see whatever scheme is proposed there are difficulties connected with it. The question is which scheme would be most workable.

Mr. Greenfield.—If Aden is wiped out, it would be very good for India.

Process of manufacture.

President.—That is more than what the Government of India can do. As regards the process I want to ask you one or two questions. This is really solar evaporation.

Mr. Hallifax.—Absolutely.

President.—Except that you may arrange your condensers and pans in a different way.

Mr. Hallifax.—That is all.

President.—Or you may have different surfaces on them but essentially the process is solar evaporation.

Mr. Hallifax.—Yes.

President.—As far as I can see, you are not using much higher levels for the condensers than for the pans.

Mr. Hallifax.—We are asking for land for that. It is not essential but we are trying to take advantage of the lie of the land.

President.—Your land is on a lower level than your pans?

Mr. Hallifax.—Yes. We want to get such a piece of land as being on a higher level would allow us to use it as our condenser.

Mr. Greenfield.—That is the 44 acres.

President.—There are two ways. You can have your condensers on a higher level than the pans or as in Italy you can have your pans on a higher level than the condensers.

Dr. Matthai.—It makes a lot of difference. There is far less pumping in one than in the other.

Mr. Hallifax.—We have considerably condensed brine.

President.—At what degree would you pump?

Mr. Hallifax.—At 3° B. We will either pump it or get it by tidal action. Then it is condensed to a certain density. We will then have it pumped again to a higher level where it is evaporated till it reaches a further degree of density and then it will be run by gravity into evaporating pans.

President.—The point that I was raising was whether you were depending for a considerable part of your output on the pumping of sea water. It means that you are really pumping about ten times the quantity.

Mr. Hallifax.—If we could get a portion of the sea area and fill our condensers by tidal action, we should avoid that amount of pumping.

President.—The lie of your land does not permit of this. It is more economical if you pump it from the condensers into the pans because the pans may run out.

Mr. Hallifax.—The primary condensers have to be of considerable area and the secondary condensers require much less area.

President.—Take Okha.

Mr. Hallifax.—There is no site here at which we can get sea water by tidal action.

President.—Okha has an advantage over you in that respect.

Mr. Hallifax.—They have an advantage.

President.—That you have not got here.

Mr. Hallifax.—No. There is a particular place to the West of the Government Works at which something like that could be done. It is a backwater but the Port authorities object to its being dammed. So, barring that, we are obliged to pump. We would introduce all sorts of devices to minimise the cost.

President.—What about the soil?

Mr. Hallifax.—The soil is suitable.

President.—That is if you use artificial beds for pans.

Mr. Hallifax.—Yes, for evaporating pans. As far as condensers are concerned, the soil is generally suitable.

President.—It does not matter if you lose a bit of sea brine.

Mr. Hallifax.—No, particularly if you have trenches in which to collect it again.

President.—It is quite possible that after a time the pit may get so hardened that it may hold the water.

Mr. Hallifax.—In that case we have to open it up. To get proper percolation we must have sea water seeping through.

President.—What about the mother liquor going into it?

Mr. Hallifax.—The mother liquor comes out only from the evaporating.

President.—What are you going to do with it?

Mr. Hallifax.—If these works are developed we should have a chemical annexe for the bye-products.

President.—It is a double edged thing. If you do not make use of it, it might interfere.

Mr. Greenfield.—We know that. We can easily dispose of the mother liquor in a way that would not interfere with our works.

President.—Where the pans are on a higher level, they can let the thing run out.

Mr. Greenfield.—We can drain it straight into the sea by a gradual slope without contaminating our works.

President.—At present that is what you are hoping to do.

Mr. Hallifax.—We are really hoping to use the mother liquor for the manufacture of bye-products.

President.—For the manufacture of magnesium chloride?

Mr. Hallifax.—Yes. We have not gone into the question yet. We will have to consult technical people before we actually do it. There seems to be a future for the bye-products of salt.

President.—Just give me a general idea. You take the sea water. You pump it, don't you?

Mr. Hallifax.—Either pump it or get it by tidal action.

President.—You let it into the condensers.

Mr. Hallifax.—Yes, and expose it.

President.—At that time it is 3° B.

Mr. Hallifax.—Yes, the sea water is condensed to 3° B. generally speaking.

President.—In the condensers how long has it got to remain?

Mr. Hallifax.—It depends on the weather.

President.—On an average?

Mr. Hallifax.—It also depends on the depth.

President.—It does depend on the depth. If you have a thick piece of water it takes longer to condense than a thinner piece.

Mr. Hallifax.—Yes.

President.—But I want to know the number of days.

Mr. Hallifax.—Say a month.

President.—And about 7 days in the pans.

Mr. Hallifax.—Yes.

Mr. Greenfield.—Before we take out salt, it is about 40 days.

President.—Then you have 8 or 9 crops in a year.

Mr. Hallifax.—We get continuous crops. We do not use the accretion system.

President.—What it means is this that instead of having 9 crops on the whole, you have 1/9th or 1/40th of the crop every day.

Mr. Hallifax.—Yes.

President.—That is the same thing. Ordinarily speaking how many days would you allow it to remain in the pans before you think it ripe for scraping?

Mr. Greenfield.—It depends on the class of salt that we want to manufacture.

President.—This class of salt—white crushed salt.

Mr. Hallifax.—You have seen the latest that we have been trying (sample shown). It takes about 7 days.

President.—This is your best quality.

Mr. Hallifax.—This is uncrushed salt, quality No. 2.

Mr. Mathias.—Is this from clay pans?

Mr. Hallifax.—Yes.

President.—Have you got it from new pans?

Mr. Hallifax.—No. Quality No. 2 is never made in our new pans.

President.—You can scrape once a week.

Mr. Hallifax.—If we put in fully concentrated brine, we can scrape every day.

President.—Probably you will.

Mr. Hallifax.—If as we contemplate we use only fully concentrated brine before we run the brine into evaporating pans, the salt will drop at once and certainly in June, April, March and October we would collect it on the same day.

President.—Would it be of this grain?

Mr. Hallifax.—This is large grained. It would be finer. We can without crushing sell that in the Calcutta market. It is something like screened salt.

Mr. Mathias.—In how many days would you scrape it then?

Mr. Hallifax.—In order to get fine salt, you would have to scrape it every day.

Mr. Mathias.—You get a better salt if you scrape it every day?

Mr. Hallifax.—You can dispense with the necessity of crushing by scraping every day.

Mr. Mathias.—Salt scraped after 7 days and crushed is just as good?

Mr. Hallifax.—Chemically it is the same.

Mr. Mathias.—Is it simply a question of which is more economical?

President.—Instead of scraping it once a week you will have to scrape it seven times a week. It means more labour.

Mr. Hallifax.—But then it saves the cost of crushing.

President.—What I have not been able to understand is this. In Sambhar and in certain other places they use the accretion process. They seem to go on for two or three months. That must tend to make the salt dirty.

Mr. Greenfield.—Yes.

Mr. Hallifax.—We should avoid the dust by having condensers all round.

President.—You can avoid the salt getting dirty by allowing the salt to remain for a less period in the pans.

Mr. Hallifax.—Yes.

President.—Take the Kharaghoda salt for example which is extremely dirty. We will know more about the accretion system when we go to Sambhar and Kharaghoda.

Mr. Hallifax.—We can use the accretion system for certain classes of salt.

President.—That would be inferior salt.

Mr. Hallifax.—Yes.

President.—That would require more crushing. In some cases the grinders break.

Mr. Hallifax.—Yes.

Mr. Greenfield.—Our policy is to produce a very high quality of salt.

Labour.

President.—As regards questions Nos. 11 and 12 about labour, people talk of the salt industry as being a good one because it gives employment to labour. But in your case the total labour force employed is only 106.

Mr. Hallifax.—That is due to our system of manufacture.

President.—I am always for using as little labour as possible. It has been put to us in several cases—even in this one—that the establishment of the industry would be good because it would give employment to many people, but it does not.

Mr. Greenfield.—In this at least some 100 people have found employment.

Mr. Mathias.—True, but it is not anything like the Steel industry.

Mr. Hallifax.—No. We cannot offer a panacea for labour troubles.

Mr. Greenfield.—Every little bit helps towards the solution of the bigger problem. It is only in that light that we can put it forward.

President.—After all, it cannot give employment to so many people that we can make that a ground for protecting the industry.

Mr. Hallifax.—No.

Mr. Greenfield.—I wish to draw your attention to the fact that every little bit helps.

President.—I know. The only machinery you use is for pumping.

Mr. Hallifax.—We use machinery for pumping as well as for crushing.

President.—And also for handling to some extent but not much.

Mr. Hallifax.—Quite so.

President.—You have your light railway.

Mr. Hallifax.—Yes.

President.—Is there any scope for the employment of more machinery?

Mr. Hallifax.—Yes.

President.—Where?

Mr. Hallifax.—For removing salt from the pans, the lunaries cannot be ruled out. But machines can be used for cutting trenches.

Mr. Greenfield.—There is very little scope after that.

Mr. Hallifax.—If we were to produce the finest quality of salt we might have to use it for drying also.

President.—So far as the process of manufacture is concerned, there is no scope.

Mr. Hallifax.—Manual labour must be maintained.

Dr. Matthai.—All your scraping is done by lunaries.

Mr. Greenfield.—Not necessarily lunaries. Anybody can do it.

Dr. Matthai.—Have you got people who are not lunaries?

Mr. Hallifax.—Yes.

Dr. Matthai.—Do they do the work quite as well?

Mr. Hallifax.—Yes.

Dr. Matthai.—How long have they been in the works?

Mr. Greenfield.—After a fortnight or so, they are able to do the work quite as well as the lunaries.

Dr. Matthai.—After a fortnight they are quite as efficient as lunaries?

Mr. Greenfield.—Yes.

Dr. Matthai.—We have always been told since the starting of this enquiry that scraping is such a skilled process that nobody but the traditional worker can do it.

Mr. Greenfield.—Any man can do the work in our pans.

Mr. Hallifax.—First of all they complain about their feet but soon they get used to it.

President.—It has been alleged that production cannot be increased because it depends on the lunaries available.

Mr. Greenfield.—Our production does not depend on lunaries entirely.

Mr. Hallifax.—We employ also lunaries. We want to compensate those who have lost their employment.

Mr. Greenfield.—No skilled labour is required except to run the machines.

President.—So far as the process of manufacture is concerned, any body can be employed.

Mr. Hallifax.—Yes.

Dr. Matthai.—The two points which require some kind of skilled judgment are these. The first is to know the degree of strength at which the brine is let into the crystalising pans.

Mr. Greenfield.—The Assistant Manager does that with the help of hydrometers.

Dr. Matthai.—The second is to see that the clay does not adhere to the salt.

Mr. Greenfield.—In clay pans you cannot use people who have not some technical skill. With our hard floor pans there is no question of washing.

Salt can be collected any moment after crystalisation and when collected it requires no washing.

Dr. Matthai.—We are raising this point because Karachi was turned down as the centre of salt production for India by the Central Board of Revenue on the ground that it was impossible to increase the number of lunaries.

Mr. Hallifax.—Before this company was started Mr. Greenfield told Mr. Strathie about his project for cement pans and things of that sort, but none had been actually working at that time. I suppose that it was thought that they were not practical. In Okha also they have hard pans which can be worked by people without much technical skill.

Dr. Matthai.—Mr. Greenfield, your point is that even if the pans were clay pans it would be possible after quite a short period of training for a new recruit to do the scraping almost as well as a lunari.

Mr. Greenfield.—I have taken men from Karachi and put them into the pans. At first, their work is not quite satisfactory. In a week's time, they become a little efficient but after a fortnight, they are really efficient. The lunaries go by rule of thumb.

President.—Why should a man do so when a little instrument can do it better?

Mr. Greenfield.—Observation without instruments shows well enough the condition of the brine.

President.—I understand you to say that there is no really skilled labour required.

Mr. Greenfield.—Practically none.

Mr. Hallifax.—We can get along without what is called skilled labour.

Market.

President.—As regards the local market, you have got a certain percentage of the local market.

Mr. Hallifax.—No, we haven't. In the local market, owing to keen competition, prices are so far reduced that we do not care to sell.

President.—What is the price now?

Mr. Greenfield.—We sell at 3 annas 3 pies delivered in Karachi wholesale.

Mr. Hallifax.—The price for other salt in Karachi is 2 annas 9 pies a maund.

Mr. Greenfield.—When I started, it was 6 annas a maund.

President.—There are only three of you who manufacture just now.

Mr. Hallifax.—Yes, but one can upset the whole *bundobust*.

Mr. Greenfield.—There are already four, and another one is coming in.

President.—What is the total market?

Mr. Shipp.—Four lakhs of maunds per annum.

President.—The retail price was Rs. 2-9-0 a maund.

Mr. Kripalani.—The retail price is one anna a seer.

President.—There is a fairly good margin for somebody.

Mr. Hallifax.—Yes, for the middlemen.

Mr. Greenfield.—Middlemen always make a profit.

President.—Is it possible for salt to be sold in pound packets?

Mr. Greenfield.—We have a scheme for packing salt in our works but it is not yet working.

President.—Is it a workable scheme?

Mr. Greenfield.—We believe it is feasible.

President.—Is it 1 lb. packet?

Mr. Greenfield.—What we contemplate is packets of 1 lb., 2 lbs. and 8 lbs. One pound and two-pound packets will have to be in paper and the 8 lb. packets will have to be in wood. Of course, this will be for superior salt.

President.—What about the bazar salt?

Mr. Greenfield.—There is no demand for packets in the bazar.

Importers' Association.

President.—As regards this combine: we have got a considerable amount of evidence regarding the drop in prices. Their explanation is that this was done against somebody else and not particularly against the Indian industry. That is as far as we can gather at present. Now have you made any attempt to join this combine?

Mr. Hallifax.—No.

President.—Have you approached them at all?

Mr. Hallifax.—No, and we do not wish to do so.

Dr. Matthai.—No terms were suggested by them.

Mr. Hallifax.—No.

President.—So far as you were concerned, what were the occasions on which they brought down the price?

Mr. Greenfield.—In 1928.

Mr. Hallifax.—When we made a trial shipment of 1,000 tons, the price was dropped by Rs. 28 per 100 mds. At the same time Rumanian salt also came into the market.

President.—It was dropped by Rs. 28?

Mr. Hallifax.—Yes, and on our recent shipments they brought down the price of the extra fine salt.

President.—By how much?

Mr. Hallifax.—By Rs. 3 per 100 maunds *ex*-golah.

Mr. Mathias.—When was that shipment?

Mr. Hallifax.—Last August.

President.—They have made the difference between the *ex*-golah price and the *ex*-ship price much smaller.

Mr. Greenfield.—That is just the point. They have not dropped the *ex*-ship price but they have dropped the *ex*-golah price.

Dr. Matthai.—Supposing they had dropped the *ex*-ship price also and maintained the difference as before, would that have suited you better?

Mr. Hallifax.—It is the same thing as the drop in price.

Dr. Matthai.—Would that be less unsatisfactory from your point of view.

Mr. Hallifax.—We work both ways.

Dr. Matthai.—Speaking from your short experience in the Calcutta market, is it more convenient to sell *ex*-ship or *ex*-golah?

Mr. Hallifax.—It is better to sell *ex*-ship. Our policy is to sell *ex*-ship.

Mr. Greenfield.—The golah expenses are very heavy.

President.—How do you market your salt?

Mr. Hallifax.—Through an agent.

President.—Have you got your local agent?

Mr. Greenfield.—Yes.

President.—He deals with your salt as well as the salt imported by the combine?

Mr. Hallifax.—They have nothing to do with the combine. Messrs. Balmer Lawrie and Company market our salt.

President.—Are they out of the combine?

Mr. Hallifax.—Yes, they are.

President.—They do not import any salt.

Mr. Greenfield.—They were formerly importers of Salif salt which has ceased to come to Calcutta.

President.—Where is that from?

Mr. Hallifax.—Near Aden I think.

President.—You say that they had the same experience.

Mr. Greenfield.—Yes.

Mr. Mathias.—What commission do you pay to your agents?

Mr. Hallifax.—3 per cent.

President.—Three per cent. on what?

Mr. Hallifax.—On the sale price realised.

President.—Of course, when you sell *ex*-ship, you have to take whatever price is offered.

Mr. Hallifax.—The same thing happens when we sell *ex*-golah.

President.—In the case of *ex*-golah, you can wait.

Mr. Hallifax.—Yes.

Mr. Greenfield.—But the golah rent is a consideration—Rs. 4-10-0 per 1,000 maunds per month. It makes no difference to the quantity you keep in the golah. Supposing you import 20,000 maunds and sell away 19,000 maunds and keep only 1,000 maunds in the golah, still you have to pay on the 20,000 maunds until the last lot has been removed. So, it works out to be a little more expensive that way.

President.—They charge golah rent per golah I take it.

Mr. Greenfield.—Yes, of a certain capacity.

President.—You have got to pay on the full capacity—something like a wagon load?

Mr. Greenfield.—Something like that. The result is that we sell whatever is left at the end at much cheaper rates.

President.—The golahs are at Sulkea.

Mr. Greenfield.—Yes.

President.—We have been given two different rates.

Mr. Greenfield.—There is one golah further off, the name of which I don't remember at the moment.

President.—There is some difference.

Mr. Greenfield.—I do not know.

President.—What it means is this. When they want to compete against any particular Indian salt, they have got to bring down the price of all salts; so, they lose very much more.

Mr. Greenfield.—They do.

President.—Than you are likely to.

Mr. Hallifax.—They have not put up the price after it was reduced in connection with Roumanian salt.

President.—They want to stabilise the price at this level so that they can keep the market for a long time.

Mr. Greenfield.—I don't think that the particular prices are very attractive but it pays them to keep these prices.

President.—What are the recent prices?

Mr. Greenfield.—The most recent for Liverpool is Rs. 80 *ex*-ship and for Hamburg Rs. 79.

President.—Have you more recent prices?

Mr. Greenfield.—There has been no recent alteration from the prices I have given.

Mr. Hallifax.—This is the very latest report that we have (handed in). We get these prices every week. Our salt that is now being sold at Rs. 62 was in 1928 sold at Rs. 86 per 100 mds.—*Ex*-ship.

Mr. Mathias.—Was that Karkutch?

Mr. Hallifax.—Yes. Immediately after that, this reduction of Rs. 28 took place.

President.—Would you mind supplying us with copies of this?

Mr. Greenfield.—We will send you copies with pleasure.

President.—On your own figures you were making a good profit.

Mr. Greenfield.—That was the reason why we went into the salt business.

Mr. Hallifax.—It was very promising, and not so gloomy as the picture you drew this morning.

President.—As regards transport facilities we went into the question fully yesterday and we must await developments.

Mr. Hallifax.—Yes.

Costs.

President.—You have not given us the detailed costs which we require.

Mr. Hallifax.—We gave you a statement which we got from our Chartered Accountants.

President.—These require allocation.

Mr. Greenfield.—They have been careful with their allocations.

President.—You have not given us figures in the form in which we want them in the questionnaire.

Mr. Hallifax.—Shall we ask our chartered accountants to make out statements as asked for in the questionnaire?

President.—We want detailed costs according to Form II.

Mr. Hallifax.—We have only accounts for one year.

President.—Whatever you have got.

Mr. Hallifax.—Labour expenditure is given on page 2.

President.—Fine salt is Rs. 10,121.

Mr. Hallifax.—Yes, Rs. 13,000 for common salt.

President.—You made more common salt than fine white salt.

Mr. Hallifax.—Yes.

Dr. Matthai.—It all depends on the validity of the assumption that fine white salt requires 50 per cent. more labour than the ordinary salt.

Mr. Hallifax.—Yes.

Mr. Mathias.—You did no crushing at this time, did you?

Mr. Hallifax.—No.

President.—I think that it would be better if you could give us costs in this form (as shown in the questionnaire).

Mr. Hallifax.—For all salt?

President.—Yes.

Mr. Hallifax.—We shall do so.

President.—We do not really want to make any distinction.

Mr. Hallifax.—We shall ask our accountants to give you the figures in the form in which you want them in a day or two.

President.—Do all the works manufacture two different kinds of salt?

Mr. Hallifax.—We only know about our own works.

Mr. Mathias.—Common salt is manufactured on mud pans.

Mr. Hallifax.—Yes.

Dr. Matthai.—What about the Laxmi works? Do they produce two classes of salt?

Mr. Chimandas.—We produce only one quality.

Mr. Hallifax.—Nobody else produces the fine quality of grax.

Dr. Matthai.—Mr. Chimandas, you produce only white salt.

Mr. Chimandas.—Yes.

Dr. Matthai.—Does it correspond to the ordinary Karkutch quality?

Mr. Chimandas.—Yes.

Dr. Matthai.—That is the only kind that you make.

Mr. Chimandas.—Yes.

Dr. Matthai.—What I am trying to get at is that if we asked you for costs without any kind of allocation, we could get a figure per ton which would represent the ordinary white crushed salt in your works, because that is your only output.

Mr. Chimandas.—Yes.

President.—This fine salt is what you have exported to Calcutta.

Mr. Hallifax.—We have exported all kinds. We have exported fine salt. We are exporting another kind—Karkutch. We are trying that in the Calcutta market.

President.—This Karkutch is a very small quantity.

Mr. Hallifax.—It is a very small quantity.

President.—The total imports are about 12 lakhs.

Mr. Greenfield.—Yes.

President.—Therefore we want to get the costs of that class of salt which is going to compete in the Calcutta market. What you call fine is extra fine.

Mr. Hallifax.—Yes.

President.—That is not the kind of salt which you are going to place in the Calcutta market against the Aden salt.

Mr. Hallifax.—We are going to compete with Liverpool, *i.e.*, Cheshire salt and Hamburg salt.

President.—Then, the Aden competition does not matter to you.

Mr. Hallifax.—It depends on the size of the market. If it is not big, the market may not be able to absorb the very fine quality which we are making. That is the trouble.

Mr. Mathias.—If it does, then you are all right.

Mr. Hallifax.—Yes.

Mr. Greenfield.—Liverpool, Hamburg, Mussovah—those are the three grades.

Mr. Mathias.—They correspond to your grades.

Mr. Greenfield.—Those are the grades we want to compete against in the beginning and we have so far succeeded.

Mr. Hallifax.—We want to make the extra fine salt which is comparable to Liverpool. We are also bound to make the common quality, for Government can call upon us to provide it for the local market here.

President.—If you are competing against Liverpool salt, it ought to be all right because the prices are higher.

Mr. Hallifax.—They have brought down the prices in exactly the same way as the Aden combine.

President.—That is the same combine.

Mr. Hallifax.—That is a different combine

Mr. Greenfield.—In fact, they really three combines.

Mr. Mathias.—The straightforward solution would be a small duty on Liverpool salt.

Mr. Hallifax.—We have not really found out what the cost price of the Liverpool salt is and how much they can drop their price. It is just possible that a big tax may be required.

Mr. Mathias.—What the Okha people are asking for is 4 annas duty per maund on the imported salt—Liverpool salt. That will probably meet your case.

Mr. Hallifax.—They brought down the price of ordinary salt to Rs. 50 in January.

Mr. Mathias.—Liverpool salt has not been sold at Rs. 50 since the war.

Mr. Hallifax.—No.

Mr. Mathias.—So far as your case is concerned this duty would be sufficient.

Mr. Hallifax.—Yes, the duty of 4 annas on imported salt would meet our case. We are devoting ourselves to making this fine salt and our works is too expensive to devote to the other kinds of salt. But we have to make a certain amount of common salt because Government can call upon us for 5 lakhs of maunds delivered in Karachi. Our chief competitors is not with Aden; our salt is very much better. We are competing with Liverpool, Hamburg and I suppose with fine white Spanish salt.

President.—But there is a difference. If you get the Liverpool price or anywhere near, you are very well off and therefore you don't want protection.

Mr. Hallifax.—We do not want protection, and we only want stabilisation of prices.

President.—We can only stabilise the prices of all foreign salts that they must not drop below a certain figure.

Mr. Hallifax.—As Mr. Matthias has suggested so far as we are concerned we would be content with a duty of four annas.

President.—It will be a very simple solution if we put this duty on Liverpool, Hamburg and other salts. But we have got to get the fair selling price of the salt that is comparable with this other salt.

Mr. Greenfield.—I think that the Board should be in a position to get the price of imported salt.

President.—I mean your costs.

Mr. Greenfield.—Our costs are given here.

President.—There is a difference of less than an anna.

Dr. Matthai.—The difference in cost between fine and common salt is a difference that depends entirely on crushing.

Mr. Greenfield.—No crushing cost is included here at all.

Mr. Hallifax.—Our pans are much more expensive. It requires more labour and more supervision to keep our works going and also more capital expenditure.

President.—This is the only works which has got two qualities of salt.

Mr. Greenfield.—We do not want to have two qualities, but we have to carry on with clay pans.

President.—Supposing you were to do away with the other quality, your costs would be averaged. Supposing you were to produce all fine quality salt, will you then get the average of the whole of this?

Mr. Hallifax.—Probably it would not be worth while to have separate pans for the common salt.

President.—It would be better to take the average even now.

Mr. Hallifax.—We can do that for you. At the present moment there is this objection. The proportion between the fine and common salt is nothing like what the proportion will be when the works are fully developed.

President.—Therefore it is better to take the average.

Mr. Hallifax.—It will put down the price of fine salt at the present moment.

President.—That is what I mean. That is what it would come to.

Mr. Hallifax.—If you are going to use that as the works cost on which you are going to work out the rest of your figures, the price will be too low.

Dr. Matthai.—On an average your fine salt will be Rs. 3 less per 100 maunds.

Mr. Hallifax.—Yes.

Mr. Greenfield.—If we produce six times more of one quality than another it means a big amount.

Mr. Hallifax.—It depends on the ultimate proportion.

President.—What is going to be the ultimate proportion?

Mr. Hallifax.—539 to 150 or 550 to 150.

President.—Therefore the average price of salt will go up.

Mr. Hallifax.—The average price of common salt will go up but you will depress the price of our fine salt.

President.—It may be that when you manufacture more the whole price may come down.

Mr. Hallifax.—It is bound to.

President.—Therefore if we take the average of these two, it may be very near.

Mr. Hallifax.—It is hypothetical.

President.—What are we to do? We have to take some figures.

Mr. Greenfield.—Our average would be fair.

Mr. Hallifax.—The overhead charges are bound to come down with the increase in maundage.

Mr. Mathias.—It would come down substantially.

Mr. Greenfield.—Yes.

President.—So far as works costs are concerned, what I suggest doing is to get the average on this production. That would be about one-third of your future average production.

Mr. Greenfield.—To that you have to add the crushing charge.

President.—We take that as the works costs for the whole quantity. That will merely give us an approximate result. Then, we will take the capacity of the whole works in order to get the other charges.

Mr. Greenfield.—That is right.

President.—We will take the capacity as you have stated there as 50,000 tons.

Mr. Greenfield.—Yes.

President.—Then, we will take your capitalisation as Rs. 6 lakhs. Whatever it is, we will have to make adjustments.

Mr. Greenfield.—Quite right.

President.—Then, we will have to add depreciation to that, and divide by 50,000.

Mr. Hallifax.—We have actual figures for depreciation.

Mr. Greenfield.—We do not allow any depreciation for clay pans.

Mr. Hallifax.—We show in our balance sheet what we charge for depreciation :—

6¼ per cent. on plant.

5 per cent. on semi pucca buildings.

2 per cent. on pucca buildings.

15 per cent. on kucha buildings.

5 per cent. on pipe line and reservoir.

For other things like furniture and fittings, tools and implements and forges we charge 5 per cent. for depreciation.

President.—What is the total amount?

Mr. Hallifax.—Rs. 2,776 for 1928.

President.—The total depreciation is altogether how much?

Mr. Hallifax.—Rs. 2,776.

President.—It is very much less.

Mr. Hallifax.—We do not charge depreciation as such for cement pans, clay pans and things of that sort. That goes down as cost of maintenance.

President.—That comes in the works costs.

Mr. Hallifax.—Yes. The maintenance of cement pans is Rs. 1,570 which is shown in the profit and loss account.

President.—If you charge only Rs. 2,000 that is all right. Then, your works cost will come down. If you put down maintenance charges in your depreciation, it will cut both ways.

Mr. Hallifax.—This is what we have done on the advice of our Chartered Accountants.

President.—That means you have to keep your pans and other things in order. What do the ordinary pans cost? What have you allowed?

Mr. Hallifax.—Rs. 1,570.

President.—Is that for cement pans?

Mr. Greenfield.—It comes to about Rs. 15 per pan per year approximately. It is about 97 pans.

President.—But the capital cost is a lot.

Mr. Hallifax.—The capital cost of the pans is Rs. 28,400.

Dr. Matthai.—What do you estimate the life of the cement pan.

Mr. Hallifax.—10 years.

Mr. Greenfield.—Depreciation was not included this year because the pans were not completed. It is a broken year.

President.—What are these figures for?

Mr. Greenfield.—For maintaining the pans during the period.

Dr. Matthai.—You mean the cement pans.

Mr. Greenfield.—Yes.

President.—In this case you include some charges under maintenance.

Mr. Greenfield.—Yes. There is no depreciation on these pans because it is not a complete year. Some of the pans were only put in working order at the end of the year. The output of these pans is not included in our output either.

President.—There is no depreciation on that one lakh which is your good-will. But you have to write it down.

Mr. Greenfield.—I do not know what sort of axe you are going to use, but I hope it is a light one.

President.—The clay pans are 62,000.

Mr. Hallifax.—Yes.

Mr. Greenfield.—We maintain them, but there is no depreciation. As I have already pointed out, there is no raw material to buy. It is simply labour.

Mr. Mathias.—Do you charge repairs to your clay pans to the revenue account?

Mr. Greenfield.—It is maintenance.

Mr. Mathias.—I do not see any item ' maintenance of clay pans ', but there is an item ' maintenance of cement pans '.

Dr. Matthai.—I find from your figures that the difference between fine and common salt roughly comes to one anna per maund. On 100 maunds it is Rs. 6-4-0. The cost of grinding is ·75 anna. On 100 maunds it is Rs. 4-11-0, is not that so?

Mr. Greenfield.—Yes.

Dr. Matthai.—Therefore the difference between Karkutch and fine salt in your case works out to Rs. 11.

Mr. Greenfield.—Yes.

Dr. Matthai.—That is to say, this Rs. 11 corresponds to the difference between Liverpool fine and Aden Karkutch in the Calcutta market.

Mr. Greenfield.—I do not know how you arrived at that.

Dr. Matthai.—That is the same kind of difference. I am trying to check whether your cost of fine salt over and above Karkutch is a valid figure. Is there any kind of test that you can apply? I am trying to see what the market difference is in Calcutta. Liverpool fine is Rs. 83.

Mr. Greenfield.—Please take *ex*-ship, because the golah expenses are very misleading if you take them.

Dr. Matthai.—Let us take *ex*-ship.

Mr. Greenfield.—Yes, because it is more definite.

Dr. Matthai.—They did not give *ex*-ship prices for Liverpool.

Mr. Greenfield.—I can send them along to you to-morrow morning.

Dr. Matthai.—If you take *ex*-golah, the difference is greater.

Mr. Greenfield.—If you take *ex*-golah, it is no guide to you.

Dr. Matthai.—There is a difference of nearly Rs. 15 between Aden Karkutch and yourself. As you say, *ex*-golah is very misleading.

Mr. Greenfield.—Yes.

President.—What I want is to get your block value as it stands to day and as it will stand when you have reached your 50,000 tons.

Mr. Hallifax.—The block value is not going to be more than Rs. 6 lakhs when we have reached 50,000 tons.

President.—This Rs. 6 lakhs includes that Rs. 1 lakh for good-will.

Mr. Hallifax.—Yes.

President.—I am talking of depreciation just now. I want the block value for depreciation.

Mr. Hallifax.—May I explain a little more about that one lakh. Mr. Greenfield has paid for all the preliminary expenses. There have been no preliminary expenses in starting this Grax Company. All that has been called good-will.

President.—I am not going into that just now. You will agree that you are not entitled to depreciation on that.

Mr. Hallifax.—Yes.

President.—It is for that purpose I am trying to get this figure for depreciation. What is the value of your plant, equipment and the rest?

Mr. Greenfield.—Do you want the present value or for an output of 50,000 tons.

President.—For an output of 50,000 tons.

Mr. Greenfield.—We have to work that out.

President.—Here we have got your works costs which do not help us very much because you have two kinds of salt. Therefore we must put it this way. The average of the works costs would represent the costs of the kind of salt that is in the bulk of the market. You would be able to compete against the average of these costs.

Mr. Greenfield.—Yes.

President.—Then we have to get depreciation. As regards that, if we were to take this as your block value and simply allocate the depreciation on your present production, the incidence would be very high.

Mr. Greenfield.—Yes.

President.—Therefore we have to make an estimate of what the position would be when you reach your full production more or less. What would be the value of your block then?

Mr. Greenfield.—It would come to Rs. 20 lakhs.

President.—But you have not got it.

Mr. Greenfield.—We can get it.

President.—If you put it at Rs. 20 lakhs, you would be exporting a great deal.

Mr. Greenfield.—We are producing an article in which we have great faith.

President.—That means that it will be multiplied by 5.

Mr. Greenfield.—We are producing an article which is necessary. We require working capital and all that for producing 50,000 tons.

Mr. Mathias.—This 4·43 annas is arrived at by taking the managing agents' fee at Rs. 2,000 a month.

Mr. Greenfield.—Yes.

Mr. Mathias.—It would be more reasonable to distribute that over your full production. I am talking of the managing agents' fee.

Mr. Greenfield.—More should come under fine salt.

Mr. Mathias.—At present you are producing 87,000 maunds.

Mr. Greenfield.—Yes, and 109,000 maunds of the other.

Mr. Mathias.—Later on the proportion would be reversed.

Mr. Greenfield.—Yes. We have only one year's figures. They do not give you any definite conclusion. Still, such as they are, we have put them before you.

President.—As a matter of fact the works costs are so small on the whole for all salt that a difference of half an anna will not amount to much, but it is the overhead charges, depreciation and profit, which have to be ascertained with more precision in this case.

Mr. Greenfield.—That is right.

President.—If we are to take your present costs, they come to 10·52 annas. It includes everything except the return on the investment.

Mr. Hallifax.—Yes, according to our figures.

President.—The point is whether these charges that you have given for depreciation, head office expenses, agents' commission and so on are charges which ought to be added in this way?

Mr. Hallifax.—They will have to be adjusted. The overhead charges are sure to fall, but I do not know what figure it would ultimately reach.

President.—I want you to give us your costs as per form given in the questionnaire.

Mr. Hallifax.—Yes.

President.—You understand what we mean by these items. Local office charges do not mean your managing agents' charges. After that you state the production—whatever it is. What we then want is overhead charges. Under these charges, we have head office expenses, managing agents' commission, interest on working capital and depreciation. That is what we call our overhead charges.

Mr. Mathias.—What is the exact difference between managing agents' allowance and managing agents' commission?

Mr. Greenfield.—The allowance is for office expenses; the commission is 10 per cent. of the net profits and 2 per cent. on purchases.

Mr. Mathias.—On what?

Mr. Hallifax.—On the purchase of machinery.

Mr. Mathias.—Who gets that?

Mr. Greenfield.—We get that. We get no pay.

Mr. Mathias.—There are two items on the first page of your auditors' report. One is managing agents' allowance (Rs. 6,000) and the other managing agents' commission.

Mr. Hallifax.—We get an office allowance of Rs. 500 a month.

Mr. Greenfield.—That is to cover the cost of motor cars, etc.

Mr. Mathias.—What about the managing agents' commission?

Mr. Greenfield.—That is 10 per cent. on profit.

Mr. Mathias.—And not 2 per cent. on purchases?

Mr. Hallifax.—We are entitled to that too, but we have not yet charged anything.

Mr. Mathias.—That is not included.

Mr. Hallifax.—No.

Mr. Mathias.—You are entitled to 10 per cent. on net profits, and 2 per cent. on all purchases.

Mr. Hallifax.—Yes.

Mr. Mathias.—Taking your actual output this year, the figure for fine salt would be 340 and not 443 annas per maund.

Mr. Hallifax.—Yes, that is the actual.

Mr. Mathias.—You put this 4·43 for argument.

Mr. Greenfield.—We have shown you what the actual figures suggest. We have nothing to prove to you conclusively.

Mr. Hallifax.—We have to get the outturn before we can get any reduction in the overhead charges.

President.—The proportion of common salt to fine salt would be 1 : 5 when you reach your full production.

Mr. Greenfield.—Yes.

Mr. Mathias.—This assumption which your auditors make that the production of fine salt would require 50 per cent. more labour, is that based on information given by you?

Mr. Hallifax.—Yes.

Mr. Mathias.—Is that your conclusion?

Mr. Hallifax.—Yes.

President.—But in your system, you don't keep the accounts in two different forms.

Mr. Hallifax.—No.

President.—Therefore either we have got to accept the allocation or take the average.

Mr. Hallifax.—We will give you the average.

President.—Then, you will cut out depreciation from these costs and all your head office and other charges. You must give us the block value and point out which is a depreciating asset because all things do not depreciate.

Mr. Hallifax.—Yes.

President.—The managing agents' commission you have calculated at Rs. 2,000 already. That would not be a fair charge on the small production you would agree.

Mr. Greenfield.—Yes. But we are giving our full time to it.

President.—When the business does not make any profit, this is not a fair charge.

Mr. Greenfield.—Some allowance ought to be made.

President.—We are prepared to make an allowance, but we are not prepared to allow Rs. 2,000 on the present production.

Mr. Hallifax.—It is Rs. 2,000 on the full production.

President.—This Rs. 2,000 which you have included on the present production is not reasonable.

Mr. Greenfield.—For a company having Rs. 4 lakhs of capital, the management expenditure of Rs. 2,000 would not be excessive.

President.—It is Rs. 2,000 a month.

Mr. Hallifax.—In the ordinary course, we will have to keep a manager.

Mr. Greenfield.—There is no manager or assistant manager. We do not keep even a clerk.

President.—We will be prepared to make a reasonable allowance for the management or agents' commission or the head office.

Mr. Hallifax.—The managing agents' commission is 10 per cent. on net profits.

President.—Is that before deducting depreciation?

Mr. Greenfield.—Yes.

President.—That means you get 10 per cent. on depreciation too. The whole point is you can make whatever arrangements you like with your shareholders but we are not bound by them, if they do not appear to us to be reasonable. Therefore we make what we consider a reasonable allowance under those heads.

Mr. Hallifax.—We will accept whatever you consider reasonable.

President.—Whether in addition to 10 per cent. profit we should allow all these allowances is a matter which we have to consider.

Mr. Greenfield.—Quite right.

President.—On a capital of Rs. 1 crore in the Match Industry we allowed only Rs. 50,000 for the Swedish Match Company.

Mr. Greenfield.—That is a very rich company.

President.—Tata's capital runs into several crores and yet the managing agents get only Rs. 10 lakhs. They have to finance too. What do you consider a fair allowance for your office charges, for your commission as managing agents, apart from any arrangement that you may have with your shareholders?

Mr. Greenfield.—10 per cent. is the usual allowance.

President.—On top of that you want Rs. 2,000.

Mr. Greenfield.—That is a different proposition. As a managing agent, I would come along in my motor car and do a few hours' work. As a manager I have to live on the premises and give a whole day's work. We say that this amount of money must be paid to somebody. When these works are developed, you cannot except us to work all the time. There will be a manager, an assistant manager and so on.

President.—So long as your business is a small one, you cannot afford to have a big manager and therefore you do not expect us to allow you that. This sum may be necessary when your production goes up to 50,000 tons.

Mr. Hallifax.—You will have to add a big sum when it goes up to 50,000 tons.

President.—The total turnover will be only four lakhs.

Mr. Hallifax.—This includes all the establishment.

Mr. Greenfield.—We are doing all the clerical work. We have no other establishment at all.

Mr. Mathias.—Is it really supervision charge?

Mr. Hallifax.—The cost of the staff who run the works.

Mr. Greenfield.—It really represents the cost of the works manager and his staff.

President.—This then would include all your charges subject to this adjustment as regards depreciation and the return on capital.

Mr. Hallifax.—Yes, we shall give you the figures.

President.—Mr. Greenfield, you must give me a more accurate estimate of the block value.

Mr. Greenfield.—There is nothing exaggerated. We will give you a figure to work on. We wish to help you in every way.

President.—The higher the figure, the worse it would be for you in the long run.

Mr. Hallifax.—Yes, we understand.

President.—So, it is better for you to get us accurate information.

Mr. Greenfield.—Yes.

President.—You have given us a lump sum figure of 4·50 annas for transport, but you have not given us any details. Is this the *ex*-golah price or c.i.f.?

Mr. Greenfield.—What page is it?

President.—This is given in your note.

Mr. Hallifax.—It must include all transport.

President.—You must tell me what it is.

Mr. Hallifax.—It includes all transport—the freight on the steamer, etc. The total comes to Rs. 8 per ton.

Mr. Mathias.—What have you taken the freight at?

Mr. Hallifax.—Freight is Rs. 6 a ton and Rs. 2 for the other expenses, *viz.*, transport to the pier, loading and unloading.

Mr. Mathias.—How do you do your unloading? Do you give it to a contractor?

Mr. Hallifax.—We do it.

Mr. Mathias.—Will you please send us the details?

Mr. Hallifax.—Yes.

President.—What we want really is this: from your works to the Bunder including the weighment, Bunder to the ship, wharfage, insurance and Customs.

Mr. Hallifax.—In our case it is from the works to the Bunder, loading into barges, then transporting the barges to the ship's side, loading into the steamer, insurance and Customs charges.

President.—That gives you f.o.b.

Mr. Hallifax.—Yes.

Mr. Mathias.—This Rs. 719 is for what?

Mr. Hallifax.—For loading and unloading.

Mr. Mathias.—Those are the two operations.

Mr. Hallifax.—Yes.

President.—Then, if you add freight and insurance, it gives you c.i.f.

Mr. Hallifax.—Yes.

President.—That is *ex*-ship.

Mr. Hallifax.—Yes.

President.—*Ex*-ship would include all your unloading charges?

Mr. Hallifax.—The buyer is responsible from the moment he purchases.

President.—Then you have golah charges there.

Mr. Hallifax.—There are the charges for taking it from the steamer to the golah. Then there is golah rent.

President.—You have got to take your agents' commission at that end. That will apply to both *ex*-srip and *ex*-golah.

Mr Hallifax.—Yes.

President.—That will give you two sets of prices.

Mr. Hallifax.—Yes.

President.—Then give us the sale prices both *ex*-ship and *ex*-golah, at which you have sold.

Mr. Hallifax.—Yes.

Mr. Hallifax.—There is another item which is included on the Calcutta side which is recoverable from the buyer.

President.—What you recover from the buyer you need not include. Please give us also the latest prices.

Mr. Hallifax.—We have already given you these with our letter of 21st November.

Mr. Greenfield.—The golah expenses are very heavy.

Dr. Matthai.—If you take the actual costs, what ought to be the difference between *ex*-ship and *ex*-golah.

Mr. Greenfield.—Normally the difference ought to be Rs. 11, but I have not gone into details.

Dr. Matthai.—Rs. 8 is the figure we have got.

Mr. Greenfield.—The boating charges are very heavy.

President.—What about the working capital? How many months do you think it takes before you get your money back from the time you take the water from the sea to the time the money goes into your Bank?

Mr. Greenfield.—It requires thinking over.

President.—We were told yesterday 3 months. How long on an average will your money be locked up in a year?

Mr. Hallifax.—Say five months.

President.—Would not four months be reasonable?

Mr. Hallifax.—That is too short a period.

Mr. Greenfield.—We sent our salt to Calcutta last August and a great deal of it is lying in the golahs.

President.—Do you pay freight at the other end or here?

Mr. Hallifax.—Here on the date on which the boat sails.

President.—It takes how long for loading and unloading?

Mr. Hallifax.—10 days for 1,000 tons.

President.—At both ends?

Mr. Hallifax.—Only here.

President.—That takes away nearly a month.

Mr. Hallifax.—Yes. The ship takes 18 to 25 days from Karachi to Calcutta. It may call at many ports on the way.

President.—We will have to consider that. You would require Rs. 2 lakhs of working capital when you reach 50,000 tons.

Mr. Greenfield.—More than that.

President.—Why?

Mr. Greenfield.—Taking the 50,000 ton shipments only, the freight alone is more than Rs. 3 lakhs.

President.—That is for a year.

Mr. Greenfield.—Yes, it comes to about Rs. 4 lakhs. If we are shipping 50,000 tons, the working capital is a very big item.

Mr. Mathias.—In 1928, you were able to supply your working capital out of your capital

Mr. Greenfield.—But we would not call it working. I would say that we were not even existing then.

Mr. Hallifax.—Whatever we made, we sold locally.

Mr. Mathias.—It was nearly 10,000 tons.

Mr. Greenfield.—We would not call that a big output.

Mr. Mathias.—Your present capital is sufficient to cover your working capital for the output of 10,000 tons.

Mr. Greenfield.—Yes.

Mr. Hallifax.—As regards local sales, the turnover is very quick about 3 months.

Mr. Mathias.—It is more.

Mr. Hallifax.—We could not sell it straight from the pans to the consumer.

Mr. Greenfield.—It has to be dried.

Mr. Mathias.—This crushed salt is dry.

Mr. Greenfield.—Not immediately. It has to be dried.

Mr. Mathias.—How long do you dry?

Mr. Greenfield.—2½ months.

Mr. Mathias.—That means capital locked up.

Mr. Greenfield.—Yes.

Mr. Mathias.—When you send it to Calcutta, not only is that capital locked up but also the freight charge.

Mr. Greenfield.—Yes.

Mr. Mathias.—That means the expenses mount up.

Mr. Hallifax.—Yes.

Mr. Mathias.—From your figures you ought to be able to work out what working capital is required.

Mr. Greenfield.—Yes.

Mr. Mathias.—Please work it out and give it to us.

Mr. Hallifax.—Yes.

Mr. Mathias.—Do you ship in bond?

Mr. Greenfield.—Yes.

Mr. Mathias.—When do you pay the Customs duty?

Mr. Greenfield.—The purchaser pays it on the other side.

Mr. Mathias.—You have not got to lay out any money.

Mr. Greenfield.—No.

President.—Supposing you crush the salt which you sell as common salt would it be able to compete against the Aden crushed salt?

Mr. Greenfield.—It might compete with what they call Aden fine.

President.—What is the difference between the two?

Mr. Mathias.—Aden fine is Rs. 66 and Aden Karkütch is Rs. 65. Would your crusher be able to deal with the coarser salt?

Mr. Hallifax.—Yes.

EDULJEE DINSHAW SALT WORKS, KARACHI.

Evidence of Mr. H. N. E. DINSHAW and Mr. J. F. KOTWAL recorded at Karachi on Thursday, the 28th November, 1929.

President.—I wish to tell all the applicants that we are suggesting to the Government that Government should not complete the execution of the leases until this enquiry is finished; until we are in a position to advise the Government on the Karachi situation. Government is not bound to follow our advice but this is what we are doing. You will go on with the temporary licences until the situation gets a bit cleared.

Mr. Dinshaw.—I want to know exactly how the position stands as regards your application to the Government of India. When did you apply for this site?

Mr. Dinshaw.—Somewhere about 1928. The concession was granted in May, 1928.

President.—That was the one that you have already got.

Mr. Dinshaw.—Yes.

President.—That was the one that was originally given to Mr. Cargill.

Mr. Dinshaw.—Yes.

President.—And you have taken that over from him.

Mr. Dinshaw.—Yes.

President.—Has your lease been completed?

Mr. Dinshaw.—No. It has been executed by us, but awaits completion on the part of Government.

President.—The position is the same as regards the other lessees.

Mr. Dinshaw.—Yes.

President.—What have you done as regards the bigger undeveloped land? What is the position?

Mr. Dinshaw.—That will in a way be influenced by the decision of the Board.

President.—I want to know exactly what you have done as regards that site.

Mr. Dinshaw.—I have done absolutely nothing in regard to that site except for applying for it.

President.—I want to know what steps you have taken because I understand that you are collecting information, taking advice and so on and I wish to know exactly what you have done.

Mr. Dinshaw.—Yes, with pleasure.

President.—Have you got all the correspondence? Tell me precisely in the chronological order as far as possible what has happened.

Mr. Dinshaw.—It is difficult to keep the chronological order. But I shall try to give you a brief summary. I got this 200 acres of land and thought of developing it and going much farther. We have, as you know, a coal business of our own and we employ ships to bring our coal from Calcutta to Karachi. I thought that if we had a large volume of salt it would perhaps be easy to get our own ships and send them to Calcutta with salt in them. They would not have to go light, as they do now, from here to Calcutta.

President.—You have your own boats.

Mr. Dinshaw.—I would have a boat of my own. I would buy a boat and employ it continuously in this trade, so that we may find constant employment. When I bring coal from Calcutta, the ship has to go back empty now.

President.—One boat will hardly do.

Mr. Dinshaw.—I aimed at a maximum production of 5,000 tons a month. That was my idea. I am groping in the dark at present. When I am speaking to you, I am speaking subject to correction. I am still groping in the dark trying to find my way. My idea was to get out a boat and bring out coal and send her back with salt. In order to find out what would be the most economical and remunerative methods of manufacturing salt, we have on the advice of our friends Messrs. Duncan Stratton and Company employed Mr. Bunting, who reorganised the Sambhar works, to go to Europe and find out the latest developments both as regards the process of manufacture and the suitable machinery to carry that out.

President.—You employed him as your expert.

Mr. Dinshaw.—He is our technical adviser. He is not employed by us. He is an employee of Messrs. Duncan Stratton and Company. He has gone to Europe to submit a report and we are financing him.

President.—Does that involve large expenditure?

Mr. Dinshaw.—Rs. 2,000.

President.—It is not anything that might be regarded as serious.

Mr. Dinshaw.—In these days of hardship, even a rupee is a matter of importance. I don't think that that factor ought to weigh with you. Side by side we have got a staff which is now taking some records of the density of the brine, recuperation of brine, to furnish them to Mr. Bunting when he returns to advise us. We had constructed some condensers or something like that, but unfortunately these got washed away by the rains and we have started again.

President.—Have you had your soil examined by your expert to see whether it lends itself to any particular process?

Mr. Dinshaw.—The soil is a bit clayey and I think that it will suit our purpose.

President.—Has anybody examined your soil?

Mr. Dinshaw.—Our technical adviser has seen it and he seems to think that it is quite all right.

President.—But then having done this supposing you secure this site, what is your idea?

Mr. Dinshaw.—Which site do you mean? Do you mean the undeveloped land?

President.—Yes. Is it your contention that you would be able to market your salt without any assistance. What is your position? Have you thought of it?

Mr. Dinshaw.—That I could not tell you until I have heard from our technical adviser.

President.—Would you not be influenced by that factor before undertaking the business?

Mr. Dinshaw.—Certainly.

President.—What is your position?

Mr. Dinshaw.—That is why I have sent Mr. Bunting out just to give me advice.

President.—When do you expect Mr. Bunting to come back?

Mr. Dinshaw.—He is due at the end of December.

President.—He will examine the site, I suppose. When do you expect to be able to get out this information?

Mr. Dinshaw.—Two or three months after he arrives.

Mr. Kotwal.—I should say another four months from now

President.—That is to collect the information. You do not know how long the construction or other arrangements may take?

Mr. Dinshaw.—That will be entirely dependent upon the type of machinery that we are going to employ.

President.—Grax have taken considerable time over their works already and the Okha Works have taken two or three years and have just started going.

Mr. Dinshaw.—We desire to lay out the works on the most modern lines.

President.—You are perfectly right in taking that view. What we are considering is that if we are to finish this enquiry as soon as possible we do not see that we can do it if we are to wait until you have been advised by your experts. In the meanwhile, surely we would not be expected to hold up the whole enquiry. It is for that reason important for you to be able to tell us because as we were discussing the other day, transport facilities have to be arranged which depend on the production of the works in Karachi.

Mr. Dinshaw.—As far as that goes, I think that the other site would be on the same line as Messrs. Grax, Limited. Then, we will have to take out an extension of our line. The undeveloped land has got to come in. It will form one part of that unit. It will be one more link to that chain.

President.—But I understood you to say the other day that you wanted to stand out.

Mr. Dinshaw.—That was for 200 acres. Even now I shall stand out for those 200 acres.

Dr. Matthai.—Supposing you got the 600 acres which you have applied for, in respect of that land, would you stand out?

Mr. Dinshaw.—Why should I?

Dr. Matthai.—The ultimate arrangement was a flat rate.

Mr. Dinshaw.—If I get the 600 acres, it does not matter what I do with the smaller part, *viz.*, 200 acres.

President.—That is what I am telling you.

Mr. Dinshaw.—Until and unless I know the whole position, I can't tell you definitely.

President.—You are quite accustomed to holding property. I put it to you this way. The whole piece of land belongs to you. You want to make a road. There is a provision in your lease that you ought to pay. You won't make the road unless all contribute. You find that a man may be situated at the corner who does not really want the road. He wants only a proportion of it. If he stands out you will say to him 'I won't allow you to stand out'. Take the Municipal service. A municipality may bring water to your house. You may say 'I am not going to use it' but you have to pay for it all the same. The same principle might be made applicable to the Government's property. For that reason, it is for you to consider whether you should not take a more reasonable attitude towards the owners of the property. It is a small matter. If you persist in doing this, Government might well say 'If you want to stand out, we shall not give you the other property'.

Mr. Dinshaw.—If the other property is given, I automatically come in.

President.—You cannot impose such terms on Government. After all, you are getting the land free.

Mr. Dinshaw.—So are the others.

President.—Government might wish to do something if all of them are put more or less on the same footing. If you put this little obstacle in the way of Government I don't think that Government would like it very much.

Mr. Dinshaw.—Then, you must give me some time to think over this new aspect of the matter.

President.—After all, you must, look at it as a big landlord. Supposing you wanted to do something for the whole of your property and some of your tenants objected saying ' We don't want this road '.

Mr. Dinshaw.—Don't try persuasion! Kindly give me some time to think about it.

President.—But as regards the bigger site, if it was given to you, you would be willing to come in.

Mr. Dinshaw.—Certainly.

President.—The dispute is only as regards the small plot of 200 acres.

Mr. Dinshaw.—Yes.

President.—I would just like to tell you this. You were not here yesterday unfortunately. I was trying to explain to the various manufacturers here what the position was as regards the available market, and what would happen if Aden remained in the market and claimed its full share as being part of India.

Mr. Dinshaw.—May I say a few words on that subject. Why should Aden claim its full share?

President.—Because Aden is India.

Mr. Dinshaw.—If I import anything from Aden, will I not be charged Customs duty?

President.—That is in lieu of excise.

Mr. Dinshaw.—Does it not go to Aden.

President.—It goes to the Government of India.

Mr. Dinshaw.—If Aden is part of India, any article that is imported into Aden presumably pays the Customs duty on entry. If I re-export that article from Aden and import it into India, I have to pay the duty again.

President.—The idea is that you cannot identify it. If you can identify it, you will not be charged double duty.

Mr. Dinshaw.—Where is the question of identification? The first entry means imposing the Customs tax in Aden.

President.—Aden is subject to the same law as regards Customs and excise as India.

Mr. Dinshaw.—My submission is why should you expect me to pay the duty a second time.

President.—That is a point which you will have to fight with the Government.

Mr. Dinshaw.—You just now said that Aden is subject to the same fiscal rules and regulations, as India. Aden is bound by the same tariff. If on the first entry into Aden I pay the Customs duty on a tin of cigarette, for instance.....

Mr. Mathias.—Do you?

Mr. Dinshaw.—Supposing I pay.....

Mr. Mathias.—I am asking for information whether it is a fact that there is a duty or not. I am asking that question because Aden is part of British India. You just now said that there is a duty.

Mr. Dinshaw.—I have not stated anything. I have stated something on the hypothesis which you have advanced.

President.—We are not here to be cross-examined. I am asking you for information. The position is clearly this. As far as we can understand it, Aden is to be treated on the same footing so far as the Customs and excise are concerned as India. As to whether in practice some distinction might be made on other grounds, we are not discussing that now. The whole position is so far as the fiscal policy is concerned every part of the British India is subject to the same law.

Mr. Dinshaw.—Precisely, Aden is also liable to the same law.

President.—You may presume that so far as we are concerned.

Mr. Dinshaw.—If I import anything from Aden, will I not have to pay Customs duty?

President.—We are not Customs authorities.

Mr. Dinshaw.—I should probably get a reply to that later on from somewhere else.

Mr. Kotwal.—Do you suggest that you would be able to impose in practice any differentiation?

President.—It may not be impossible to impose.

Mr. Dinshaw.—May I take it that it would be possible?

President.—It is very unlikely. This question has arisen in connection with Burma. Burma being part of British India, her claim to separate fiscal treatment was refused over and over again. So, there can be no differentiation, as I say, under the law. Whether it may be possible to do it in some other way, I am not prepared to say now, nor have I examined the situation. But we must assume for the time being that no differentiation is possible. As I say we are exploring the subject. That is the position at present. The whole point is this. If we find that the market that is available to India is such that more or less the whole of it can be supplied by the existing works—this is what I am trying to point out to you—the more you delay this the more you prejudice your case. That is all that I am saying. You may take it for what it is worth. If we find that India can already supply what it requires, then though we are not placed in possession of the facts, it is quite possible that we may say that there is no further room for expansion. In that case by the delay, as I say, you may be prejudicing your case. That is all that I wish to say on this point.

Mr. Dinshaw.—We have not permitted any time to elapse. We have taken up the question of investigation, the moment we have been given the land. We have not allowed the grass to grow under our feet.

President.—As far as we can see, Burma is going to be treated on a separate footing. Therefore as regards that market, it may be assumed that India may have to compete with the rest of the world. Burma will be treated on a separate footing. In other words it means this that you may not be able to secure that market. That takes away about 60,000 tons, from what is available. There are certain quantities of salt which would still come in—I mean the better quality of salt which certain consumers would require in any case even if they had to pay a very high price. Therefore the market is thus reduced to 300,000 tons. The total market is 500,000 tons, of which Aden is already supplying 200,000 tons. Therefore what remains is 300,000 tons. You have facilities in Karachi for producing 100,000 tons and Okha claims that it can produce 100,000 tons. Then, there are Sambhar and Khewra which may want their share of that part of the market. Therefore the market that Karachi may get is not nearly as much as it thinks it can get.

Mr. Dinshaw.—May I say that salt being a necessity, its use increases with the increase in population.

President.—It does, but apparently it does not increase very much. The figures do not show that the increase has been in proportion to the increase in population. We do not know what the figures mean. What you say is possible, but it takes a very long time. Of course the consumption of salt may go up by industries being established and by cattle consuming more than at present. That question I am not going into at the moment. I am only stating to you the actual situation.

Mr. Dinshaw.—Don't you think that the point that I have raised of increase in population demanding more salt is worth consideration?

President.—We are only concerned with the immediate situation.

Mr. Dinshaw.—Don't you think that you should take a little broader view?

President.—We take as broad and as long a view as possible.

Dr. Matthai.—At present Bengal is taking about 600,000 tons of salt. Supposing you allowed a period of 20 years, what increase in consumption do you expect to follow from the increase in population?

Mr. Dinshaw.—That statistics alone will show.

Dr. Matthai.—Personally I suggest that it would not be a very considerable increase if you are only looking to human consumption.

Mr. Dinshaw.—Not only human consumption but also industrial.

Dr. Matthai.—There the trouble is this. We are only here concerned with the imported white salt and that is not required by industries or for consumption by cattle.

Mr. Dinshaw.—The consumption of finer salt will increase, won't it?

President.—The whole point is this. You know how modern industries are regulated. The aim is more or less to balance the supply and demand. You go on increasing the output as the demand increases.

Mr. Dinshaw.—I wish you could say the same thing for the Cotton industry and the jute industry.

President.—That is true. If Government does anything to establish an industry, it must not, at the beginning, create conditions of overproduction, that is the whole point. Otherwise, the salt industry may be in the position of the textile industry. I am just trying to draw your attention.

Mr. Dinshaw.—I see your point.

President.—I am trying to draw your attention to the conditions such as we find. If we were to say 'All right, go full speed ahead with Karachi, Okha, Sambhar and other places, you would find that in five years time you would be producing too much salt'.

Mr. Dinshaw.—Even under the depressed conditions, modern mills like Laxmi and Vishnu Mills can keep their heads above water simply because they have modern up to date machinery with them.

President.—That is left to private enterprise. Here you want Government assistance to start with, and therefore Government must see that the industry is properly organised from the very beginning.

Mr. Dinshaw.—You give us a chance to organise our industry properly from the very beginning.

President.—Others have already started.

Mr. Dinshaw.—My sin is that I have sent away my man to get the latest information.

President.—I say that is is not a question of any sin at all.

Mr. Dinshaw.—I will be mulcted because I want to put up my works on the most modern up to date lines.

President.—You are taking your own risk.

Mr. Dinshaw.—That is why I have sent a man.

President.—Those people who are already in the field cannot wait until you make up your mind; nor can this enquiry be stayed; nor do you expect the Board to make proposals which would be such that from the first it might lead to overproduction. What do you suggest? I am asking you for a suggestion.

Mr. Dinshaw.—I suggest that you should allow the law of supply and demand to have its full course.

Mr. Mathias.—Is it your position that when you have your modern machinery and full production, you think that you would be able to compete with the present manufacturers who are at present in the field and that you are quite satisfied if the law of supply and demand is allowed to take its course.

Mr. Dinshaw.—More or less.

President.—In that case, you don't require any assistance. You stand out of any scheme.

Mr. Dinshaw.—I cannot say either way. If I say 'yes' you grasp me here. If I say 'no' you grasp me there. I do not know whether I am standing on my feet or on my head.

President.—What will you do in our position?

Mr. Dinshaw.—Try and encourage industry. Why let Aden come in at all with its sweated labour? Here the sons of the soil in India are starving.

President.—We cannot wax eloquent over business propositions.

Mr. Dinshaw.—Business propositions require sympathetic treatment.

President.—I am asking for your opinion and for your views. You are experienced, you have knowledge of these matters and I am asking you what is your view.

Mr. Dinshaw.—I have already told you what my view is.

President.—That is leave out Aden. This matter has been going on for a long time and I think that it is time that we have arrived at some decision. I am asking you—would you be prepared to stand out until you have made up your mind of any scheme that we might put forward and take your chance of efficiency?

Mr. Dinshaw.—Would you like to impose such a hardship on me. You are the sole master. You wield the pen and I am to take the consequences.

President.—You are not prepared to give me your views. What is your position? Do you think that more or less you have been advised that your position would be such that no assitance would be required. In that case, we can say that Mr. Dinshaw can look after himself. You don't commit yourself either way. Either you must be prepared to submit yourself to the conditions which Government might impose or you must stand out.

Mr. Dinshaw.—Certainly I propose to be in the same boat. I don't want any differential treatment to be meted out to me.

President.—I was discussing the tranport facilities the other day. On a point like that, you ought to be able to say what your position is going to be.

Mr. Dinshaw.—I shall submit my views to the Board very soon.

President.—You were here when we were discussing that day the question of monopoly or a marketing organisation.

Mr. Dinshaw.—I was here when you were examining the representatives of the Port Trust, but I was not here on the other two days.

President.—Your representative was here and it is rather a pity if you have not followed the proceedings. It is very important that you should all put your heads together and I daresay that the other applicants who were here would tell you what took place. Mr. Hallifax might tell you everything.

Mr. Hallifax.—Our idea is to have a meeting of the persons interested id if possible to come to a unanimous conclusion about it.

President.—Mr. Dinshaw is not immediately interested in the proceedings ecause he is not ready with his case.

Mr. Hallifax.—We will be able to give our views before the end of ecember.

President.—I understand that you are in the shipping business.

Mr. Dinshaw.—Yes.

President.—Do you deal in Coal?

Mr. Dinshaw.—Yes, another branch of our activity is stevedoring.

President.—That means you supply all the labour, barges, etc.

Mr. Dinshaw.—Yes, labour for loading and unloading ships.

President.—Are the rates fixed or have you your own rates?

Mr. Dinshaw.—As far as owners are concerned, they are fixed by contract, and as regards shore labour, they are fixed by the Port Trust.

President.—How do you get your freight in this market?

Mr. Dinshaw.—I made a tentative enquiry for freight to Calcutta and I wrote to the Scindia Steam Navigation Company and the British India Steam Navigation Company for regular steamers and the B. I. S. N. Company replied to me offering Rs. 6-8-0 whereas the Scindia Steam Navigation Company said that they were not interested in that line and that they would not quote any rate.

President.—Do they enter into long term contracts?

Mr. Dinshaw.—I don't think that they would be averse to it.

President.—The point is that if there is a serious variation in the freight within any period that we may fix, it upsets the whole scheme of protection.

Mr. Dinshaw.—We are entirely at the mercy of the shipping ring.

President.—On the other hand if we have a long term contract which is at a higher rate and the freight outside drops, it is open to difficulties that way.

Mr. Dinshaw.—It cuts both ways.

President.—But I understand that so far as the chartering of steamers is concerned more or less there is no conference.

Mr. Dinshaw.—No. You can charter either in Bombay or on the Baltic for full cargo or you can charter for two or three voyages or you can have ships on time charter.

President.—It means full cargo.

Mr. Dinshaw.—Time charter need not mean full cargo.

Dr. Matthai.—In your representation you say that the economical quantity to send to Calcutta would be about 60,000 tons a year.

Mr. Dinshaw.—Somewhere about that.

Dr. Matthai.—I take it that your assumption is that if you can work up to 60,000 tons a year, it would be possible for you to run your own boat right through the year.

Mr. Dinshaw.—Precisely.

Dr. Matthai.—Have you formed any kind of estimate as to what the rate might be supposing you were in a position to charter on the basis of 60,000 tons a year?

Mr. Dinshaw.—I should reckon Rs. 4-8-0 to Rs. 5 with the present working conditions and the present cost of materials.

Dr. Matthai.—Against Rs. 6-8-0 which would be quoted by the B. I. S. N. Company.

Mr. Dinshaw.—It may be even lower because it will have the advantage of bringing my coal in the same bottom. My proposition was to go in for a couple of board of my own.

President.—Provided you get full load.

Mr. Dinshaw.—Yes.

President.—How much coal do you import a year?

Mr. Dinshaw.—About 30,000 tons from Bengal and the rest comes from Durban.

President.—In that case it would be possible for you to import all your coal from Calcutta.

Mr. Dinshaw.—Yes.

President.—How does your Durban rate compare with the Bengal rate.

Mr. Dinshaw.—Durban is Rs. 1-8-0 higher.

President.—Do steamers insist upon getting Durban or are they prepared to take the Bengal coal?

Mr. Dinshaw.—Since the Grading Board was established and Sir Frank Noyce was here, the coal trade has been purged of all its impurities. I

think that Bengal coal as certified by the Grading Board is now accepted at its face value.

President.—So that you will be able to get all your coal from Calcutta.

Mr. Dinshaw.—There is not much difficulty in switching over from South African coal to Bengal coal.

President.—Supposing you had your own steamers, how would the freights work out?

Mr. Dinshaw.—These are more or less estimates.

President.—Will you give us the time charter party rates?

Mr. Dinshaw.—Yes, we shall give you charter party rates.

President.—Charter party rates are safest because you do not know how much it would cost you to run your own steamers.

Mr. Mathias.—You would be able to land your salt in Calcutta cheaper than your competitors because you would have your own boats.

Mr. Dinshaw.—Yes.

Mr. Mathias.—That would be your main economy because after all the cost of salt is mainly freight.

Mr. Dinshaw.—This side by side would help me in the coal line.

Dr. Matthai.—What is the present total tonnage of Bengal coal that comes to Karachi.

Mr. Dinshaw.—Say about 1,50,000 tons a year, or it may be more.

President.—You are the biggest single importer of coal?

Mr. Dinshaw.—No. There is Cowasjee and Sons. In this import I have included the B. I. S. N. Company. They get all Bengal coal. They do not go in for the luxury of Natal coal. The luxury of Natal coal is on the brains of some of the Continental owners.

President.—The Steel Company sometimes wants a lot of freight.

Mr. Dinshaw.—Do you mean the Tata Iron and Steel Company?

President.—Yes.

Mr. Dinshaw.—Then, they would be competing with coal. It is not the inward traffic but the outward traffic that would help us.

President.—It may be possible for you to get that freight.

Mr. Dinshaw.—I don't think that Tata's steel comes very much to this market.

President.—What prevents them from sending their steel to Karachi is the high steamer freight.

Mr. Dinshaw.—Yes, it is bound to be. It is well known that the freight from Europe to any port in the Indian Empire is much less than the freight from Karachi or Dwarka to Rangoon or Calcutta, even though the distance is three or four times greater, and they have besides to bear the canal charges between Europe and India.

President.—How do you think that they do it?

Mr. Dinshaw.—In the same way as they do it in South Africa. The Railways there subsidise the coal for export.

President.—All these things have been suggested but they have not been brought home. In the case of South Africa, we have had proof.

Mr. Dinshaw.—Yes, that they subsidise their rates.

President.—Yes.

Mr. Dinshaw.—You can find out what freight they charge on export.

President.—That has been proved, but I am talking of the sea freight.

Mr. Dinshaw.—It is very easy. I had occasion to enquire myself for my uncle who has got a cement works at Dwarka.

President.—We know that the freights are higher. You say that the steamship companies are subsidised by the State. That you have not been able to prove.

Mr. Dinshaw.—I don't say that the steamers are subsidised. When you wanted me to answer your question, I simply cited South Africa as an example.

Dr. Matthai.—What precisely is your proposal? You want assistance in the shape of bounty *plus* duty.

Mr. Dinshaw.—I want in the shape of a bounty what is recovered from duty.

Dr. Matthai.—What you want is a bounty of 2 annas 6 pies.

Mr. Dinshaw.—Yes.

Dr. Matthai.—You are suggesting a bounty of 2 annas 6 pies and a differential duty of 2 annas 6 pies, which would give you in all a protection of 5 annas.

Mr. Dinshaw.—If conditions remain normal and if prices do not vary very much as they do at present, then I am for protection to the extent of only 2 annas 6 pies.

Dr. Matthai.—Supposing there were none of these abnormal factors, assuming that a bounty was an effective form of protection, the way to do it would be a bounty of 1 anna 3 pies and to finance it by a duty of 1 anna 3 pies.

Mr. Dinshaw.—You must counteract the human weakness to make money when an opportunity offers.

Dr. Matthai.—Supposing you leave a margin of 2 annas 6 pies, is that a sufficient margin to prevent the deliberate cutting of prices?

Mr. Dinshaw.—That is my mature opinion.

Dr. Matthai.—There are two ways of doing it. Of course there is the possibility of cuts in prices as soon as a protective scheme is in force.

Mr. Dinshaw.—Yes.

Dr. Matthai.—You can meet it either by providing right at the start a margin or you might have a scheme for automatic additions to duty as soon as Government finds that import prices have come down.

Mr. Dinshaw.—By all means let it be on a graduated scale.

Dr. Matthai.—No graduated scale.

Mr. Dinshaw.—No sliding scale?

Dr. Matthai.—No sliding scale at all. You fix the duty at 2 annas 6 pies. Prices come down by 3 annas. Then, it will be necessary to put up the duty by that amount.

Mr. Dinshaw.—That is what I want.

Dr. Matthai.—What happens is that the Government of India by mere executive action impose a duty sufficient to countervail the fall in prices. It would be a safer thing from your point of view.

Mr. Dinshaw.—Yes, much safer. I agree with you entirely.

President.—If the price can be reduced to as much as 5 annas, it means that the salt is given away free. Government or anybody does not charge anything for salt.

Mr. Dinshaw.—You charge Rs. 1-4-0.

President.—Rs. 1-4-0 is the revenue (excise) duty. Pay Rs. 1-4-0 and have it for nothing.

Mr. Dinshaw.—I don't follow your point.

President.—The total cost, profit and everything would come to about 5 annas at the works and if Government were to subsidise an industry to the extent of 5 annas, it simply means that the Government give the salt for nothing to the consumer. The whole point is this. If it came to

a bounty—that is what it really amounts to—you get the salt for nothing, leaving out the duty. You sell the salt for the cost of the transport and the duty.

Mr. Dinshaw.—But then this cost of 10 annas includes also a certain amount of remuneration to us and also makes provision for depreciation. Whatever cut is made by the lowering of prices at the other end, should be made good to us because we always expect to get a fair return on our capital.

Dr. Matthai.—Really your cost of production of salt in this particular case must be taken as *ex*-ship Calcutta or *ex*-golah Calcutta, that is to say your total cost of production would be roughly about Rs. 65 *ex*-ship Calcutta.

Mr. Dinshaw.—Quite right.

Dr. Matthai.—According to your scheme Government would give an assistance of 2 annas 6 pies per maund.

Mr. Dinshaw.—Yes.

Dr. Matthai.—The protection should be calculated not in relation to your works cost at Karachi but in regard to the cost delivered in Calcutta.

Mr. Dinshaw.—No, not on my cost here but on the landed cost there.

President.—It is simply putting the figures differently. Government supply you with salt for nothing and you add these charges and you get a price. The cost of the salt at the works does not come in. You cannot divorce it from that. You might satisfy yourself by saying that by adding Rs. 1-4-0 you get a percentage.

Mr. Dinshaw.—That is one way of looking at it.

President.—The cost of manufacture does not count. That is what it comes to, if we have to pay 5 annas by way of bounty. I am talking of the cost of manufacture.

Mr. Dinshaw.—I have included in my figures not only the cost of manufacture but also the cost of obsolescence.

President.—There is no objection to that in theory at all. It does seem to me that is what Government is being asked to do. You must be enabled to supply your salt free of cost. I would rather hesitate myself if I were a manufacturer to put it that way.

Mr. Dinshaw.—Why, you have to face competition.

President.—You know that things worse than that have happened in the shipping rate-war. Not only did you not have to pay anything in the shape of freight but you got something in the form of present.

Mr. Dinshaw.—As soon as a ring was formed, you had to pay through your nose. You had to pay not only Rs. 5 but Rs. 50. They take it out of you in any shape or form.

President.—How do the Government take it?

Mr. Dinshaw.—They take it out of the pockets of those who are struggling to get a living. I am simply speaking as a manufacturer who is trying to keep his head above water.

President.—Mr. Dinshaw, I am not asking you any questions on this scheme of yours because it is really premature.

Mr. Dinshaw.—Yes.

President.—It is all based on *a priori* arguments, and is like an essay on the subject. The whole thing is that facts do not exist as regards manufacture and other things.

Mr. Dinshaw.—Why do you say that the facts do not exist? We won't be far from them.

President.—So far as you are concerned?

Mr. Dinshaw.—I am talking of my case. The cost will not be 10 or 15 per cent. more than this.

Dr. Matthai.—As a matter of fact your costs are almost exactly the same.

Mr. Dinshaw.—I always say that I do not want to have any preferential claim.

President.—You are not going to get it. So, you need not emphasise that.

Mr. Dinshaw.—That is the reason why I say so.

President.—So far as these costs are concerned, whether they are estimates or actuals, they are so small that you could not go very far wrong, but the trouble arises when we come to make an estimate of the capitalisation on which we have to allow depreciation and profit. The other things are quite clear.

Dr. Matthai.—Do you claim your estimated capitalisation of Rs. 5 lakhs for an output of 60,000 tons a year as fairly approximate?

Mr. Dinshaw.—Yes.

Dr. Matthai.—It is not likely to vary considerably after your expert has reported.

Mr. Dinshaw.—Not as far as the purchase of machinery or construction of works is concerned. I am a practical man. I have got about six or seven factories here and upcountry and so far as machinery goes I don't think the estimate can vary very much; nor can it vary in the works.

President.—You know that estimates go wrong.

Mr. Dinshaw.—Yes, so far as Government are concerned.

President.—At Sambhar they have had a painful experience.

Mr. Dinshaw.—I am not surprised. Government estimates very often go wrong by 50 per cent.

President.—You will stand by your estimates.

Mr. Dinshaw.—Fairly nearly.

President.—Whatever scheme we may put forward whether it is an ordinary scheme of protection or a bounty or a marketing organisation, we cannot get away from this fact that we have to determine the fair selling price.

Mr. Dinshaw.—No.

President.—In that the least important item is the works cost. The most important items are the overhead charges, profit and transport charges. As regards transport charges also we have very fairly reliable evidence from different sources. As regards capitalisation?

Mr. Dinshaw.—Do you think that my works are under-capitalised.

President.—I am not going to express any opinion, but the Aden figures are so very different from yours. The total costs are lower than yours but their capitalisation is higher than yours. If you say that, as a business man, Rs. 5 lakhs is a reasonable capitalisation for a works producing 5,000 tons a month, we should be prepared to attach a great deal of weight to your opinion. That is all I can say.

Mr. Dinshaw.—Mind you this is taken on the machinery that we propose to utilise for solar evaporation.

Mr. Mathias.—Actually on your estimated cost and present prices in the market, you don't need any protection. The estimated cost is Rs. 62 and the present price Rs. 63.

Mr. Dinshaw.—The present price is Rs. 61.

Mr. Mathias.—It varies between Rs. 61 and Rs. 65.

Mr. Dinshaw.—You can take it that it will be lower than Rs. 61.

Mr. Mathias.—My general impression is that the manufacturers here will be quite pleased if they are able to stabilize the present prices and would not then need protection at all.

Mr. Dinshaw.—Then, they are all optimists.

President.—The point is this. We have to ascertain your fair selling price which would be applicable to most of the works reasonably efficiently run and if we were to take your figure—supposing you are able to get Rs. 62 or whatever you mention—you would get a fair return on your capital.

Mr. Kotwal.—Our cost price is Rs. 62 according to this estimate.

Mr. Mathias.—It includes 9 per cent. return on your capital.

Dr. Matthai.—They claim 25 per cent.

Mr. Mathias.—Rs. 62 includes 9 per cent. return on your capital.

Mr. Dinshaw.—We want to build up a little bit of reserve for a rainy day.

President.—What we suggest is this. We have to make an estimate as to your fair selling price. My difficulty is as regards capitalisation because the other items seem to be fairly clear and as I say when the whole labour costs are Rs. 1-4-0 a ton, there is not really much room for variation of any kind.

Mr. Dinshaw.—No.

President.—If you put up your capitalisation from Rs. 5 to Rs. 25 lakhs then it makes a great deal of difference.

Mr. Dinshaw.—I admit.

President.—I am very glad that you have been able to give us figures to which as I say we will attach a great deal of weight.

Mr. Mathias.—This capital cost of Rs. 75,000 includes piers and jetties.

Mr. Kotwal.—Yes.

Mr. Mathias.—Do you contemplate constructing your own pier?

Mr. Dinshaw.—That was my intention at one time provided the Port Trust dredged the channel and gave a deep draught. The whole question of transport you are going into separately.

Mr. Mathias.—If this scheme which the President was outlining the other day under which railway transport is provided for all the salt up to the pier head was adopted and you came in, this item of Rs. 75,000 for pier and jetties would fall within your capital expenditure.

Mr. Dinshaw.—It will have to be added to the buildings. If I get the bigger area, I have to bund it. That has not been included.

Mr. Mathias.—Leaving out the extensions?

Mr. Dinshaw.—This is for the use of the undeveloped land. I cannot produce 5,000 tons on my present land.

Mr. Mathias.—Has that not been included?

Mr. Dinshaw.—The bunds have not been included fully because I do not know how we stand and where we stand. As regards jetties, if the additional land is granted, we would still have to incur that expenditure because in that case one of our proposals is that we would not be able to utilise the transport scheme that you have in mind. The reason is that we would perhaps have to pump our concentrated brine on to another plot across the channel where it would go through the factory and perhaps we would be loading on the other side. In that event, we would require our own jetties.

Mr. Mathias.—I think that Mr. Dinshaw said that in the event of getting the undeveloped land he proposed to come in.

Mr. Kotwal.—Yes, if we actually manufactured on that plot.

Mr. Mathias.—My supposition was that Mr. Dinshaw would join in with the other companies if he were using this undeveloped land and this bit of 200 acres. In that case this item of Rs. 75,000 would go out so far as piers and jetties are concerned.

Mr. Kotwal.—Yes, if we resorted to your scheme in the case of both plots.

Mr. Dinshaw.—As I said, this is only a hypothetical figure.

President.—These bunds are for what purposes?

Mr. Dinshaw.—For bunding our pans.

Mr. Mathias.—You would require this in any case.

Mr. Dinshaw.—Yes.

Mr. Mathias.—I find some difficulty in following this capital cost. This is for the whole area both for the 200 acres and for the undeveloped land.

Mr. Kotwal.—To a certain extent you may call it unreliable only in the case of bunds because we ourselves do not know what sort of bunds would be required and of what strength for the undeveloped land.

Mr. Mathias.—Can we take this estimate as correct except possibly in regard to the increased expenditure as regards bunds?

Mr. Kotwal.—Yes.

Mr. Mathias.—To what extent does this expenditure go up?

Mr. Dinshaw.—It all depends on the height of the bunds.

Mr. Mathias.—Can you not give us any idea?

Mr. Dinshaw.—We cannot.

Mr. Mathias.—There is a possibility of a further increase in regard to bunds.

Mr. Dinshaw.—Yes. May I say a few words on the transport question.

President.—Yes.

Mr. Dinshaw.—If you can induce the Port Trust to dredge that channel from the Government pier to a depth of 6 or 7 feet to enable barges to be taken out at any state of the tide, a great deal of expenses on that account could be easily sliced off.

President.—What about Grax, the Star Works and others?

Mr. Dinshaw.—They will be providing for it by the wagon system. I am talking of our own transport. The sea transport can be very easily reduced to a considerable extent, if we have a deep channel where we could not only take our boat—coasting boats—but also country crafts which are bigger to carry our salt. Just now we have to take flat bottomed crafts. I am the only man who has got to go in for flat bottomed boats.

President.—Those are things that can be done.

Mr. Dinshaw.—Yes, at the cost of money. Why not utilise the material which is at present at the disposal of the Port Trust?

President.—We must see what sort of estimate they give us. The whole point was this. We put forward a proposal to them that they must provide for the peak load which we took down at 2,000 tons a day. So long as they provide it at a reasonable cost, it is quite immaterial. I quite understand your point of view. Supposing you wanted to export your salt from this place to some other place by these country crafts it may be useful to you, but that was not the point we were considering.

Mr. Dinshaw.—Don't you think that we should have a pier? If we had a deeper channel, we could take almost all crafts for carrying salt. In that case, we would not have to pay so much. We do not want to invest money in building barges at a cost of Rs. 20,000 each; that is Rs. 4 lakhs straightaway. Why not the Port Trust dredge the channel 6 feet deep to enable crafts to be taken in and out at any state of the tide. In that case, half the difficulties would be solved.

President.—We have to consider the question of the cost of dredging the channel from time to time. After all, it may not cost very much less. We have asked for an estimate from the Port Trust. If we see that the estimate is such that really it does not matter, then we need not proceed with the other scheme. In course of time, they might find it cheaper.

Mr. Dinshaw.—They should be compelled to do it. They are charging 5 annas now.

President.—We have asked the Port Trust to perform the whole service.

Mr. Kotwal.—Up to the jetty at Maurypur.

President.—And for putting it into the ship. We must assume that they are business people. Therefore if they find that by deepening the channel they can perform their service more cheaply and can make more money out of it, they will do so.

Mr. Dinshaw.—They are in a monopolistic position. They will put up the charges.

President.—Supposing I give you this service for Rs. 2 a ton and if afterwards you find that if you deepen the channel you can do it at Rs. 1-8-0 a ton, you will do it.

Mr. Dinshaw.—My submission has been all along that there has been no service rendered to us for 5 annas.

President.—I cannot enter into that question now. In all cases we do not get the full money's worth. Some of us do not get any return; whereas others get five times more.

Mr. Dinshaw.—That is very poor consolation for us.

President.—This is a world in which you cannot always get a good equivalent of what you pay. As regards the marketing organisation that we were discussing, supposing it was a company with a share capital, would the manufacturers be prepared to be shareholders and if so, how much money would they be prepared to put in? Everybody would admit that as far as possible if an organisation should be started, it would be better if it were done by a private company than by Government as a principle.

Mr. Hallifax.—You will have to have legislation.

President.—Everything will have to be done. It will require a considerable amount of capital. An organisation like that which caters for the requirements of that market may develop into a much bigger organisation for the marketing of salt for the whole of India. At least for that part of India, it may have to own steamers; it may have to arrange for railway freight, etc. In that case, what response do you think such an organisation would find as a capitalist?

Mr. Dinshaw.—I am speaking purely for myself. If I find that after examination the marketing organisation is a fairly reasonable one, I don't see any reason why we should not go in for it.

President.—It would be exactly like any other marketing company—a special company—of any big concern such as the Imperial Chemicals. They have a marketing organisation which is entirely separate from the manufacturing side. The idea is that we want to separate manufacture from marketing, marketing being done by a separate entity. It may contain representatives of manufacturers or Government or consumers or others but that has to be worked separately, that is the point. The question of control we have to consider later on and I wish to know whether as a business proposition—you know more about these things than most people—it would be possible to raise capital to finance a scheme of that dimension?

Mr. Dinshaw.—It will all depend on the nature of the return.

President.—There is no risk. There is not likely to be any element of risk.

Mr. Dinshaw.—What will be the return on the capital invested?

President.—We will have to fix.

Mr. Dinshaw.—If you give a higher return, I should only be too glad to put in.

President.—You must remember that it is a monopoly with no risk.

Dr. Matthai.—It is really giltedge.

Mr. Dinshaw.—Is it 2 to 3 per cent?

Dr. Matthai.—Government security rate *plus* one or two per cent.

Mr. Dinshaw.—Then, it is not likely to attract much capital. I can easily get 7 per cent. on my money without running any risk.

President.—You can be sure of getting the return which most other concerns will give you. Under such circumstances, will it be possible to float a company?

Mr. Dinshaw.—I don't anticipate any difficulty.

President.—It will require a considerable amount of capital.

Mr. Dinshaw.—Would it be about Rs. 20 lakhs?

President.—At least Rs. 2 crores. It will be an All India Company.

Mr. Dinshaw.—I don't think you need worry about capital. All India would easily come in at the backing of Government.

President.—You will be able to calculate precisely the amount of capital required to finance an undertaking like that.

Mr. Dinshaw.—If it is an All India Concern, I do not know.

President.—So far as we are concerned, we will put forward a scheme like that.

Mr. Dinshaw.—Who will elect the members of the controlling board?

President.—You are going too far. You must make a proposal yourself on that point.

Mr. Dinshaw.—As a businessman we have to find out who are going to be the Board of Directors.

President.—The Board of Directors will have to command the confidence of the Government, the public, the consumers and the manufacturers. It is for you to say when you put forward your views.

Mr. Dinshaw.—I am not the father of the scheme.

President.—Nor am I for that matter. I want you to put forward a scheme in which you have to make your suggestions, and say 'this is what you want in case a company is formed'. What would satisfy the manufacturers, consumers, the Government and the shareholders? It is on that footing we want your views.

Mr. Dinshaw.—I will try my level best.

President.—Don't bring in any question of quotas because you can never come to an agreement. There will be no question about the manufacturing side. It is only the marketing side that I wish you to consider.

Mr. Dinshaw.—I shall look into it.

Mr. Mathias.—From the capital cost account I don't quite gather whether these pans which you are going to put up would be clay or cement pans?

Mr. Dinsahw.—Clay pans.

Mr. Mathias.—You don't propose to use any special material for pans.

Mr. Dinshaw.—I first intended to cement them but I am told that it is detrimental to the organic quality of the salt. That is what I have heard. I may be hopelessly wrong. It gives you very white clear salt, but whether the chemical contents are there or not I have not had the opportunity of having it tested by my chemists.

President.—At present so far as your scheme has gone, it is solar evaporation on clay pans.

Mr. Dinshaw.—Yes.

President.—The same as Aden salt?

Mr. Dinshaw.—I have never seen Aden salt.

President.—I wish to examine you more fully on this but not now. I suggest that when you get your expert back you should appear with him

before the Board. Would it be possible for you to come to Bombay for a day or two?

Mr. Dinshaw.—Certainly.

President.—In any case we will have to discuss the marketing scheme later on, and examine you and others on this question if it becomes necessary.

Dr. Matthai.—Mr. Hallifax, when do you expect to send in the figures of costs that you promised us yesterday?

Mr. Hallifax.—In three or four days.

President.—Mr. Dinshaw, you would probably have to come to Bombay early in February or end of January.

Mr. Dinshaw.—That would suit me all right.

President.—But your expert must be ready to be examined on the general aspect of the scheme.

Mr. Kotwal.—As regards this marketing organisation, would it be optional to individual manufacturers to join that or remain outside.

President.—There can be no option there. It is a monopoly which will have to control all the market.



THE STAR SALT MANUFACTURING COMPANY, KARACHI.

B.—ORAL.

Evidence of Mr. J. A. N. R. MEHTA recorded at Karachi on Tuesday the 26th November, 1929.

President.—Mr. Mehta, you wanted to ask me certain questions yesterday. I understood that you had some difficulty in following what I said the other day. What are your difficulties?

Mr. Mehta.—My first difficulty is whatever be the marketing agency, who is to establish it, start it, develop it and work it and who will be the deciding authority?

President.—We have not gone as far as that. As I explained that morning we first want to have your views on the question of principle. That is the first thing, that is to say on the whole do you consider that that would be the best way of dealing with the situation. There are two or three points in it; stabilization of prices and control of the quality. Those are the two important factors. Any scheme which did not realise these two objects, would not in our opinion be a success. We cannot have stabilization of prices unless there is some control. There have been violent fluctuations which are due entirely as far as we can see at present to very artificial causes in the prices of imported salt in the Calcutta market. The result is therefore that when the price rises at once the consumer has got to take the higher price, but when the prices have been brought down he does not necessarily pay the lower price. There is no connection between the wholesale and retail prices and from the consumer's point of view that is not very satisfactory as you can understand. It is impossible that the consumer will get the benefit at once of the reduced price though he will have to pay a higher price if the wholesale prices go up. That is a very unsatisfactory feature of the salt market.

Mr. Mehta.—I submit that the manufacturer will first like to know how the principle will be worked.

President.—Aren't you familiar with the big marketing organisations? You have got the oil pool, you have got the Match industry, you have got the Imperial Chemicals and thousand and one other large combines.

Mr. Mehta.—They are combines of the manufacturers themselves.

President.—Not necessarily. Take the case of Imperial Chemicals. The marketing organisation is ordinarily quite distinct even from the bigger Trusts.

Mr. Mehta.—But they are themselves interested in the capital.

President.—Here is a commodity in which we cannot allow manufacturers to combine in such a way that the quality is not controlled; nor can we allow the combine to work in such a way that prices are not controlled. The great complaint about the big Trusts is that very often they charge very high prices in localities where there is no competition. It is for that reason that we should be averse to suggest a combine of manufacturers. Our own notion is that to start with it may be a Government monopoly. Then if the Government is satisfied that a Company could be floated which could be trusted to carry out these objects, it might be handed over to the Company. But I can tell you this that I myself see very great difficulties in any scheme which will not be able to provide for these two things. It is absolutely essential in the case of a commodity like salt that the prices should not vary too frequently and that the quality should be maintained. If you have seen specimens of Bombay and Madras salts where there is no control you can just see for yourself what happens: in theory the consumer is supposed to look after his interests, but that has not really happened in practice especially in a country like India. It is no use geting away from the actual

facts. Theoretically of course the consumer is the best guardian of his own interests. In practice he is not, at least in India.

Mr. Hallifax.—We have seen those samples. We were extremely surprised at the specimens of salts of Madras and Bombay.

President.—That is the result of the fact that nobody controls the quality.

Mr. Mehta.—I submit that variation in prices is owing to a particular system of working which now exists there. Once you break that system.

President.—There is no way of breaking it, as far as I can see, except by having a counter-organisation which supersedes that system. But what is your objection to this?

Mr. Mehta.—I have not the slightest objection. What I say is that we want to consider it. Therefore we want to know all the details so that we can sit down, put our heads together and give our opinion.

President.—Once we agree on the main principle, details can be settled hereafter. Of course everybody interested will have to be consulted.

Dr. Matthai.—May I know, Mr. Mehta, apart from the question of the right way of organising this marketing company, as a matter of principle you would agree that the best way of safeguarding the industry is to ensure a certain price and a certain standard of quality—on that principle you are agreed, aren't you?

Mr. Mehta.—But let me look at it from the manufacturers' point of view.

Dr. Matthai.—What I am trying to get at is whether your difficulty is simply with regard to the procedure to be followed.

Mr. Mehta.—I see such great difficulty in the organisation of it that the very principle appears to me difficult to work. I see the difficulty in that way.

President.—As I explained to you that morning the first thing is to make production possible in India by protecting the manufacturer. We start with that proposition. That is subject to the claims of the consumer, the taxpayer and the Government. In order to protect the producer, it is essential that he must get under all conditions a price which he would find reasonably remunerative. We haven't got the starting point, unless our scheme is such that whatever happens in connection with foreign price the Indian manufacturer gets what we consider a fair selling price. I think I explained that on that morning. As my colleague put it to you if these variations were allowed to take place, it would mean this that whatever protection we might start with, it might be ineffective. Therefore additional protection would be required from time to time to meet those conditions as they arise and that, in the case of a commodity like salt, is not a thing that the Government or the Legislative Assembly would agree to. Therefore you must look at it from a practical point of view. It is no use our putting forward a scheme which will not carry the support of the country. After all the taxpayers are the people who have to find the means.

Mr. Mehta.—It is because we want to give our hearty support to your scheme, we want to know something more in detail.

President.—That is the principal difficulty. From your point of view the difficulty is this: supposing we take Rs. 100 as your fair selling price—just for the sake of illustration—we say 'the foreign salt comes in at Rs. 80; we must therefore put a duty of Rs. 20', but the foreign price drops to Rs. 40. Where are you then? It means that Government must increase the duty again.

Dr. Matthai.—The salt duty question would be before the Assembly every year.

President.—Or more than once a year, and you may find that the Assembly will say "this industry we do not want; if this is what they are

asking for, we don't want it ". You will be precisely in the same position in which you are now. We want to avoid that as far as possible.

Mr. Mehta.—I do realise the principle and I follow it. My difficulty is granting all that, who is to judge my quality; who is to judge my price and who is to market this salt?

President.—So far as the fair selling price is concerned, we shall fix it, that is to say this Board will fix it. It will decide what ought to be a fair selling price for you either at your works or c.i.f., it doesn't matter where. Provided you get a fair return on your money, you are not concerned with the rest.

Mr. Mehta.—Quite so.

President.—As regards standards we can only lay down general principles. Salt is a chemical and therefore standards can be laid down with precision and enforced without much trouble. It is not like steel or any other commodity where it is very difficult really to make it conform to certain standards. Even there it is done, but it is very expensive.

Mr. Mehta.—My difficulty is—and this is also everybody's difficulty; supposing an agency is established and the prices are fixed. . . . . .

President.—Mind, this is not an agency.

Mr. Mehta.—Call it marketing organisation or whatever you like. If I have 3,000 or 5,000 tons of salt and I want to dispose of it, what would be the exact procedure?

President.—What the marketing organisation will do is this: it will say that it wants 500,000 tons of white salt. It will say to you how much are you prepared to give it, say, in the next 12 months. Supposing Karachi can supply 200,000 tons at a price which we have fixed, the marketing organisation is bound to take that salt at that price and to market that salt on its own responsibility.

Mr. Mehta.—Will it make its own profit fixing its own price?

President.—I am coming to that. So far as you are concerned that is what would happen. Supposing the marketing organisation wants 500,000 tons of white salt and India produces 1 million tons, of course anyone who offers the lowest price would get the order. It is obvious, but I hope that that won't happen. The manufacturers themselves would realise that if they did this they would be cutting each other's throat. The risk that a manufacturer may not secure any part of the order in any one particular year may be in its own way a kind of check on over-production, but we cannot provide against that. The first chance would be given to the Indian producer under which term will be included the manufacturer in Aden. I need not go into that question now. We will have to consider whether any special provision is required as regards Aden. So far as you are concerned you have got to do nothing except to supply the quality of the salt which is prescribed. As regards the marketing company, it is not going to be a profiteering company. What it will do is this: supposing it buys 200,000 tons from India and imports 300,000 tons from abroad; it will buy the latter in the cheapest market and therefore there will be no longer this ring and any one country can say that it will supply the whole quantity—Port Said or any other place. Just now they don't do it, because they have their quota. That quota business will break down if our suggestion is given effect to and there will be an open market in which to buy. It is certain that the imported salt will then be very much cheaper than it has been for a very long time. Then it will average the prices. It may have had to pay a higher price to you and a lower price for the imported salt. Its price will not contain more than a reasonable profit. It will be like any other public utility concern.

Mr. Mehta.—What is the objection then for the manufacturers to form such a public utility company.

President.—Because manufacturers cannot be relied upon for maintaining the quality. That means there must be somebody to control the prices.

Secondly the manufacturers may manipulate prices by simply not supplying enough—the same thing as is happening now. What is the objection to the manufacturers forming a combine now as the foreign manufacturers?

Mr. Mehta.—Prices will be fixed by the Board?

President.—If we are going to have the same thing except this that the manufacturers are going to control the organisation there is no point in having this new scheme.

Dr. Matthai.—Your suggestion is this: we prohibit imports as far as possible and try to raise all the salt required for the Bengal market from Indian manufacturers. Then these Indian manufacturers form an Association being free from the competition of the importer. In that case the consumer in India is entirely at the mercy of the manufacturers.

Mr. Mehta.—I would submit that your prices should be fixed both for the consumers and for the manufacturers so that instead of another public utility company making a reasonable profit, the same reasonable profit out of the price which you might fix for the consumers and manufacturers should also go to the manufacturers.

President.—There is also another organisation required to keep control over you. Then there will be two organisations. The whole point is we want only one single organisation so far as the selling part is concerned, but under your suggestion there will be two. There must be some other body to keep control over you and to see that you carry out your contract.

Mr. Mehta.—Week after week prices will be published. Auditors can be appointed.

President.—By whom? Some other controlling authority must be simultaneously appointed.

Mr. Mehta.—Supposing the other public utility company which we are now discussing goes wrong?

President.—It would not be such a public utility company. If it goes wrong, then the Government can carry on.

Mr. Mehta.—We have now understood the exact point.

President.—The whole point is, to start with the manufacturing interests must be separate from the marketing interests for the reasons I have given.

Mr. Mehta.—Take the case of the Army Canteen Board. Contractors have taken shares and are interested in that Board. The Board works through a Manager who is appointed by the Government. The Army Canteen Board purchases for them and then the profit whatever it may be is distributed amongst all.

President.—The analogy is not a good one. That is precisely the thing that I wish to avoid in this organisation.

Dr. Matthai.—There is a big difference between the two. In the case of the Army Canteen Board the army is the sole consumer.

Mr. Mathias.—Is the Army Canteen Board still in existence?

Mr. Mehta.—It is not. This is second Canteen Board.

President.—This is not a happy analogy. If we decide that this salt ought to and can be produced in India we want a scheme which would not fail.

Mr. Greenfield.—I wish to point out something which Mr. Mehta has left out in the matter of detail. I suppose that the salts of the various individual manufacturers will be sold as of being one general quality.

President.—Yes. We are prepared to consider anything that you may place before us, but we do not think there is very much room for different qualities. The quality is merely confined to localities. We do not think that that is a good principle.

Mr. Greenfield.—I speak from knowledge that I have gained from experience. Qualities are so well defined in the districts that you cannot alter them.

President.—This quality is absolutely created by the wholesaler.

Mr. Greenfield.—No, but by the hundreds of years' use.

President.—The qualities do not exist.

Mr. Greenfield.—The Cheshire salt which is called Liverpool salt you will find certain districts taking.

Dr. Matthai.—That stands by itself. Take all the Red Sea salts—Port Said and others.

Mr. Greenfield.—They come to about many thousand grades of salt.

President.—It will be for the marketing organisation to say that this is table salt which is superior salt. It may pay you a special price for that if it wants it. There is nothing to prevent the marketing organisation from doing so, but it is not going to say that this is Mr. Greenfield's salt.

Mr. Hallifax.—We want our own name if possible.

Mr. Mehta.—We have understood you and we will consider the scheme and let you have our views later.

President.—Some of the qualities are fictitious. It is the wholesale dealer who has done that. Now take the case of Bombay salt. It sells at a higher price in some parts, but there is no question of quality. It is purely due to the fact that somebody has pushed it.

Mr. Greenfield.—That is just the point.

President.—That we are not in favour of, because competition of that kind is uneconomic.

Mr. Mehta.—According to your view there should be no manufacturers' brands except the quality defined by the marketing organisation.

President.—The marketing organisation's brands, that is all. It will say superfine quality, No. 1 and so on.

Mr. Mehta.—We want to understand it. We will consider it and let you know.

President.—Bear this in mind that what the Board wants is a proposition which is practicable and which will fulfil the purposes we all have in view, namely the establishment of this industry at the least cost to the Government and to the consumer.

Dr. Matthai.—I suppose the time for the manufacturers Association will come when there is over-production in this country.

President.—Then it would be for you all to organise.

Mr. Mehta.—Up to now I feel that the public utility company can be well organized by the manufacturers, but of course I am open to correction.

President.—That is entirely open to question. I want you to concentrate your attention on these points— whether in principle you agree that such a scheme would serve your purpose best or not. That is the whole point. As regards details we have not got down to details, because we are only really exploring the subject. We have pointed out the difficulties of your scheme as you have pointed out the difficulties of this scheme. We cannot have a perfect scheme, but we want a scheme which is subject to fewer difficulties. That is all and you will have time to consider this.

Mr. Mehta.—Yes.

President.—You are the Chairman of Buyers and Shippers Association. I explained the other day that a Chamber of Commerce or the Chamber you represent must not identify itself with any particular manufacturer's point of view. It is concerned with the country as a whole. The scheme that we are considering is not from any one particular person's point of view, but from the point of view of the country as a whole. It is on that aspect of the question we expect the Chambers to give their opinions. As regards the individual interests they should be able to look after themselves.

Mr. Mehta.—The Chamber would like to see Karachi's interests prosper.

President.—You might prejudice your case by overemphasising the provincial interests.

Mr. Mehta.—I follow.

President.—Do you claim any privilege as regards these costs (Star Company's costs)?

Mr. Mehta.—None.

President.—You don't mind their being placed before the public.

Mr. Mehta.—No.

President.—I understand that you have got a lease of the site which is known as the Star Works, is that right?

Mr. Mehta.—Yes.

President.—What is the area of that?

Mr. Mehta.—About 170 acres. I have yet got to get a certain piece of land. On the whole it will come to about 200 acres.

President.—Is it a homogeneous piece of land in this way that all parts are suitable for the manufacture of salt?

Mr. Mehta.—Not all.

President.—You may have a very big area, but how much of it is really workable.

Mr. Mehta.—About ⅔rds of it.

President.—The rest is soft ground or swamp.

Mr. Mehta.—It is sandy. It will require some special treatment.

President.—When did you get this lease?

Mr. Mehta.—About two years back.

President.—Have you been working on any large scale?

Mr. Mehta.—We have been making about 1,000 tons a month.

President.—Have you been exporting it to Calcutta?

Mr. Mehta.—Yes and also selling it in Sind.

President.—How much have you shipped to Calcutta?

Mr. Mehta.—I have so far shipped about 4,000 tons.

Dr. Matthai.—4,000 tons in a year.

Mr. Mehta.—Yes in this year.

Dr. Matthai.—Was it all uncrushed?

Mr. Mehta.—Yes.

President.—Do you intend to have a crushing plant?

Mr. Mehta.—I have got it here. Owing to the question of the channel I have not been able to fix it.

Mr. Mathias.—What price have you been able to get for this uncrushed salt?

Mr. Mehta.—I started with Rs. 65 and 67, then it has gone down to Rs. 61 and 60.

Mr. Mathias.—That will correspond to Kurkutch quality Aden.

Mr. Mehta.—About that.

President.—Your difficulty is due to the fact that you do not know what the transport facilities are going to be.

Mr. Mehta.—Yes.

President.—We discussed this proposition yesterday. Assuming that the transport facilities are made available—I cannot say what the scheme would be; if it is too expensive we may have to consider—assuming for the time being that facilities would be made available, then you would start immediately.

Mr. Mehta.—Yes The plant is lying idle.

President.—What is the output that you expect?

Mr. Mehta.—Do you mean my present output?

President—Supposing you develop your land fully?

Mr. Mehta.—I have ordered half of my crushing plant—about 1,000 tons a month.

President.—In order to get the full output from the land that you have got.

Mr. Mehta.—As soon as I see that the crushing plant is working satisfactorily, I shall order the other half.

President.—What is the full output that you expect?

Mr. Mehta.—25,000 tons a year.

Mr. Mathias.—How much of that would be available for the Calcutta market?

Mr. Mehta.—Out of 25,000 tons I shall make 15,000 tons available to Calcutta.

Mr. Mathias.—10,000 tons to be supplied to the local market and 15,000 tons for the Calcutta market.

Mr. Mehta.—Yes.

Dr. Matthai.—Are you proposing to send the whole of your consignment crushed?

Mr. Mehta.—Yes eventually, unless there is a demand for uncrushed salt.

President.—Are you going to work these brine wells or are you going to get the sea water or what is your process?

Mr. Mehta.—At present I am working with the brine wells, and for some time to come I shall do so.

President.—Supposing you find that the brine does not hold out, it will not be difficult for you to change over.

Mr. Mehta.—No, I can do it.

President.—Have you not taken any technical advice?

Mr. Mehta.—Considering the technical advice I am inclined to work with the brine wells.

Mr. Mathias.—What is the specific gravity of your brine?

Mr. Mehta.—I haven't got it here.

Dr. Matthai.—Is it of the same density as that of the Maurypur Government works?

Mr. Mehta.—I think a little better.

President.—Then you have these ordinary pans.

Mr. Mehta.—As soon as a crushing plant is put up, we will completely remodel our site, then it would become a model plant.

President.—The whole point is that you must see that the proper quality of salt is produced.

Mr. Mehta.—Yes.

President.—What I mean to say is that is the thing in which the Board is interested if it recommends any scheme. As regards the fair selling price that would be your own lookout if you increased your cost by not adopting proper methods.

Mr. Mehta.—Before investing very large capital, I would like to see what the arrangements are for selling my salt and what the transport facilities are. All these things have to be carefully gone into. The Tariff Board is investigating it now.

President.—How long do you think you would take before you took up your scheme—how long after the Board's recommendations are made?

Mr. Mehta.—Within one year.

President.—Then you expect to reach your full output in what time.

Mr. Mehta.—One year after that. I have got various alternatives ready and that will depend on your recommendations. I want to know what is going to happen.

President.—That is irrespective of whether you get any additional land or not.

Mr. Mehta.—Yes. In fact I have not asked for any additional land.

President.—You are also in a way connected with the Moon Company.

Mr. Mehta.—The Moon Company at present is a buying company and not a manufacturing one. The Government are the buyers from the individual labourers (lunaries). The same labourers again buy it from Government as a buying company. I finance them for the buying company.

President.—Is it a sort of Co-operative Company more or less?

Mr. Mehta.—Yes. I finance them. They get a share of the profit in addition to what they get from manufacturing.

President.—That is a peculiar arrangement. That is because the Government think that lunaries have an interest in the Government works and they don't wish to interfere with them. Is that the idea?

Mr. Mehta.—The idea is that Government felt that these lunaries would not be able to make any improvements as an ordinary capitalist would and the risk was that the lunaries would lose their land. Personally I wanted to save the situation and to see that the industry also throve. I have brought about this arrangement between the Star and the Moon Companies. The Star Company has become manufacturers, because they have got the lease of the land, while the Moon Works are not, because they haven't got the lease of the land.

President.—Owing to this complication the Moon Works will always have to work like that until all the lunaries have disappeared.

Mr. Mehta.—I have placed a definite proposal before the Government for their acceptance. As the land is given to the Star Company, in the same way the Government lands should be leased to the Moon Company for a particular number of years.

Dr. Matthai.—Some of the leases granted to individual lunaries are permanent leases.

Mr. Mehta.—As far as I am concerned I claim that all the leases are permanent, but Government do not accept that principle. We don't want to struggle on that point. I want to find a *via media*. We have given up the point about the permanent lease by a general resolution. We say "you lease the land, just as you have leased to Messrs. Grax, the Star Salt Manufacturing Company, etc., to the Moon Company consisting of all the present lunaries who have got pans there".

Dr. Matthai.—Then the idea is that the Government is out of it altogether.

Mr. Mehta.—Yes.

President.—At present this is a paper transaction.

Mr. Mehta.—Yes at present.

President.—You market their salt both in Calcutta and here.

Mr. Mehta.—Yes.

Mr. Mathias.—Did you actually send the moon salt to Calcutta?

Mr. Mehta.—Yes.

President.—There might be difficulties. If the Calcutta prices dropped, there might be a loss.

Mr. Mehta.—So far it has not happend.

President.—Who is going to be responsible in that case?

Mr. Mehta.—It is a question of little financial adjustment.

President.—I am just putting it to you supposing there was no protection to the industry, then you have to fight your way through the market.

Mr. Mehta.—In that case we have to limit our manufacture and we have to depend on the local sale.

Dr. Matthai.—As far as local sales are concerned, we have been told that the Members of the Moon Company were prepared to sell their salts for As. 1-3 a maund.

Mr. Mehta.—There was no other alternative left. They were in a fix then.

Dr. Matthai.—If that is the position with regard to local sales, local sales would simply ruin your lunaries.

Mr. Mehta.—There will be some arrangement brought about between the local manufacturers in regard to local sales.

Mr. Mathias.—You allocate your salts as regards local sales.

Mr. Mehta.—Something will have to be done. There will be over-production unless Calcutta takes up a larger supply.

President.—I have not read the leases yet. Have all the leases been completed or are they still waiting to be completed?

Mr. Shipp.—They are awaiting execution by Government.

President.—All the terms have been fixed.

Mr. Shipp.—Yes.

President.—Generally speaking what is the interest of the Government now in the leases? Do they take any rent or royalty?

Mr. Mehta.—Government charge only for road and water expenses.

President.—It is the gift of the land to you by Government.

Mr. Mehta.—Yes, but the Moon Company used to pay before.

President.—You are much more favourably situated than any other salt works in that you have got your land free which is not the case in most cases. Either the Government take rent or royalty so that you start with an initial advantage and Government cannot possibly give you what you call permanent leases.

Mr. Mehta.—Permanent lease to whom?

President.—To you.

Mr. Mehta.—Why to me, to all.

President.—To all the manufacturers. It is really *Inami* land. It is *Inam* for what.

Mr. Mathias.—There is no manufacturer who pays any royalty.

Mr. Mehta.—We pay a nominal rent.

President.—That is a favourable position.

Mr. Mehta.—There are water charges and other charges.

President.—These charges will have to be paid in any case.

Mr. Mehta.—There is the supervision charge.

Mr. Mathias.—Provided it is not more than 5 per cent., so that really these charges do not amount to very much.

Mr. Mehta.—Establishment charges and water charges come to about 9 ps.

President.—Even the Baroda State charges As. 10 a ton royalty. I do not know whether it would not be right in the public interest to charge a small royalty. After all we are the guardians of the taxpayer and there is no reason why Government should not recover something.

Mr. Mehta.—It is too late I think.

President.—Aden also pays royalty. All these leases, I take it are for 30 years.

Mr. Mehta.—My lease is for 20 years with the option of renewal.

President.—Your lease has already run for two years.

Mr. Mehta.—Yes.

President.—How long has your lease, Mr. Greenfield, run?

Mr. Greenfield.—I do not really remember.

Mr. Hallifax.—There was a dispute about the date.

President.—Mr. Mehta, you have not sent us any replies to our questionnaire, but you have given us estimated cost of 28,000 maunds of unerushed salt on which we will examine you.

Mr. Mehta.—It is the actual cost.

President.—This is about 1,000 tons a month. That is what it means.

Mr. Mehta.—Yes.

President.—These are actual costs.

Mr. Mehta.—Yes.

President.—These are rather differently put though they are the same. They are not in accordance with our form any how. Shall we take 100 maunds as a unit?

Mr. Mehta.—Yes.

President.—In other cases we have got it in tons; so, it is difficult for us to compare. We will first take your manufacturing charges, that is No. 1. By manufacturing charges you mean the amount that you pay to the lunaries.

Mr. Mehta.—Yes.

President.—What does that include? How much work of manufacture is included in that? For instance, they dig the wells?

Mr. Mehta.—The pans are made by us. The wells are dug by us.

President.—'By us' means by whom?

Mr. Mehta.—By the Star Works. We pay to each individual worker that is the panholder one anna three pies per maund for as much salt as is turned out.

President.—Who makes the pans?

Mr. Mehta.—We have paid for pans and wells in the beginning.

President.—Under what head does it come?

Mr. Mehta.—Under capital cost.

Dr. Matthai.—Haven't they got to be renewed?

Mr. Mehta.—Yes, but the repairing charges go to the general expense. Whatever be the expenses they are not paid by them.

Dr. Matthai.—That would be shown as current expenses.

Mr. Mehta.—Yes.

President.—Under what head is it shown?

Mr. Mehta.—Establishment, water charges and manufacturing charges.

President.—What I want to know is where would the charges come for making the wells and pans. Under what head do they come?

Mr. Mehta.—I may tell you that wells and pans' original cost goes to capital.—The repair charges would go to establishment, water, etc.

President.—You dig all the wells, and the pans are made out of your capital.

Mr. Mehta.—Yes.

President.—You have dug enough wells and pans for 1,000 tons a month.

Mr. Mehta.—Yes.

President.—That goes under your capital expenditure.

Mr. Mehta.—Yes.

President.—The annual repairs would be covered by the first item.

Mr. Mehta.—Yes.

President.—So that really speaking your manufacturing charges are a combination of item Nos. 1 and 2.

Mr. Mehta.—No, the manufacturing charges are net.

President.—The total cost of manufacture is the total of items 1 and 2, *viz.*, Rs. 12-8-0.

Mr. Mehta.—Yes, for 100 maunds.

President.—That is about As. 2 a maund.

Mr. Mehta.—Yes.

President.—This payment is net payment to lunari.

Mr. Mehta.—Yes.

President.—There is no further deduction out of that.

Mr. Mehta.—No.

President.—How much salt would one lunari make in a year?

Mr. Mehta.—About 120 tons. Each lunari of mine has got 3 to 4 pans. We have got 27 lunaries and each of the lunaries has got three sub-lunaries under him—27 lunaries *plus* 81 sub-lunaries.

President.—That is 108.

Mr. Mehta.—Yes. All the lunaries pay to the sub-lunaries one anna for the other three pans.

President.—That is to say a lunari will make a pice out of that.

Mr. Mehta.—Yes.

President.—So far as we are concerned we have got to divide it equally by 81.

Mr. Mehta.—Yes.

President.—That gives an average of what.

Mr. Mehta.—We have got actually what each lunari gets month after month.

Mr. Mathias.—Is this an estimate for the Star or for the Moon Company?

Mr. Mehta.—For the Star Company. The Moon Company is really a buying Company.

President.—Each lunari gets about Rs. 250 a year on an average.

Mr. Mehta.—Yes and then he gets his share of the profits which we make.

President.—How do you mean?

Mr. Mehta.—They are all members of the Company.

President.—I am talking of the Star Works.

Mr. Mehta.—I am also talking of the Star Works.

President.—I thought that that applied to the Moon Works.

Mr. Mehta.—All the 27 lunaries are partners in the Company.

Dr. Matthai.—That is interesting.

Mr. Mathias.—The Star Company does not entirely belong to you.

Mr. Mehta.—No.

President.—Then you are a big lunari yourself.

Mr. Mehta.—Yes. I am only one in 28. We have built up a little reserve fund and depreciation fund. We paid them Rs. 200 last year.

President.—In addition to their wages?

Mr. Mehta.—Yes.

President.—That is to say if you realise a price which leaves you a margin you give a sort of bonus.

Mr. Mehta.—They are partners.

President.—They share equally with you.

Mr. Mehta.—Yes.

President.—Then I must say that you are a lunari if you share equally with them. You have not formed into a Company, have you?

Mr. Mehta.—It is a regular partnership company.

Dr. Matthai.—Is not the profit divided according to the holdings of each member?

Mr. Mehta.—Each member has got equal holdings. All the 27 lunaries have got 4 pans each.

President.—Supposing in this case you made a loss you must bear it.

Mr. Mehta.—We have got a certain reserve.

President.—On top of that if there is a loss either you pay it or the works close down.

Mr. Mehta.—It wouldn't come to that.

President.—That is the logical consequence.

Mr. Mehta.—Yes.

Dr. Matthai.—I don't quite follow. The profit after you have put enough into the reserve fund is divided on the basis of the capital holding of each member.

Mr. Mehta.—There is no capital holding. The capital is supplied by me. I am half proprietor and the others represent the other half. I take half the profit and they get half the profit.

President.—It comes to this that you have half the number of shares; and the other half is divided between these 27.

Mr. Mehta.—Yes. If it came to any loss, the manufacturing costs would be automatically reduced. Supposing it became a losing concern, they would have to reduce the cost to one anna.

President.—It is really a partnership in which you have half the interests and the other half is owned by the 27 lunaries.

Mr. Mehta.—They get the full incentive to produce as much salt as they can.

President.—It is quite a new form. It is not a profit sharing arrangement. It is a partnership.

Dr. Matthai.—This is merely a sort of bonus.

Mr. Mehta.—Why do you call it bonus? They are partners in the assets of the Company.

Dr. Matthai.—Are they partners in the property?

Mr. Mehta.—Yes.

Dr. Matthai.—In what way? All the capital is held by you.

Mr. Mehta.—That capital belongs to the Company. I don't see the least difficulty about that.

President.—The Company is financed by borrowed capital.

Mr. Mehta.—Yes.

President.—You take a certain rate of interest on the whole capital.

Mr. Mehta.—Yes.

President.—They are responsible for the interest.

Mr. Mehta.—Yes. I charge a very low interest and I look forward to the day when the capital will be repaid.

President.—From the reserve fund you will eventually pay off the capital.

Mr. Mehta.—I calculate that in 15 or 20 years they will pay off the capital and I look forward to that day.

Dr. Matthai.—The whole financing of this Company is by means of borrowed capital.

Mr. Mehta.—Yes.

President.—It is partly by means of an instalment system which you earn for them as they get along.

Mr. Mehta.—My whole object is that they should retain their individuality and yet become the proprietors. They will not be wiped off the earth which otherwise would have happened.

Dr. Matthai.—Do they share in the management?

Mr. Mehta.—Absolutely, the Committee is entirely their own. They sit in my office as you gentlemen are sitting here and work.

Mr. Mathias.—Do you arrange their business?

Mr. Mehta.—I guide them.

President.—It is a pity that we were not able to see your Star Works that morning. It is very interesting to know all that.

Dr. Matthai.—You have 27 Members.

Mr. Mehta.—Yes. They have opened a depôt in Sind. They know the Calcutta business very well and have everything at their fingers tips.

President.—You have got to explain to your partners the meaning of the scheme that I have put forward.

Mr. Mehta.—I do feel that they are an intelligent lot.

President.—You have to take a certain amount of risk.

Mr. Mehta.—I do admit that. What I am doing is I am experimenting with the views that I have of my own.

President.—It is really a laudable scheme. The recurring part of the expenditure in your manufacturing costs is As. 2 per maund.

Mr. Mehta.—Yes.

President.—Then you have got the weighing charges. Is that money paid to Government?

Mr. Mehta.—Weighing charges are our own.

Mr. Mathias.—What exactly does that mean? Does that mean the cost of labour for weighing?

Mr. Mehta.—We give it to the contractor and contractor here is the Munari himself.

President.—What is the object of this weighing?

Mr. Mehta.—We have to weigh it and put it on to the Government platform which is in the charge of Government.

President.—Platform is the heap.

Mr. Mehta.—Yes.

President.—Is the salt weighed?

Mr. Mehta.—So far as we are concerned, we weigh it. It is weighed there.

President.—This weighment, when is it made?

Mr. Mehta.—When it is put on to the platform.

President.—Or when it is removed.

Mr. Mehta.—We weigh the salt ourselves. This is a charge incurred when we put it on to the platform.

President.—In Bombay it is weighed more than once. The salt is liable to be weighed even on the road.

Mr. Mathias.—Is this the only weighment then?

Mr. Mehta.—Yes.

Mr. Mathias.—You don't weigh it when you take it out of the heaps.

Mr. Mehta.—No.

Mr. Mathias.—This is the only weighing charge you have, *viz.*, 2 pies.

Mr. Mehta.—Yes. The Customs people weigh for their own purpose.

President.—It must be weighed two or three times at least. It is weighed here first and Customs check it.

Mr. Mehta.—Customs don't check it.

President.—It goes in bond.

Mr. Shipp.—It is really a question of the number of tubs that are sent.

President.—You have to give a certificate.

Mr. Shipp.—Yes. The Customs give a certificate on the basis of our statement.

Mr. Mathias.—When do you weigh it?

Mr. Shipp.—As it leaves the works.

Mr. Mathias.—There are two weighments. The second one is a Government charge.

Mr. Shipp.—At their own cost.

Mr. Mathias.—Do they make their own arrangements to weigh? There will be some one to supervise it.

President.—That must have gone to the establishment, water, etc., charges. But you have not stated there.

Mr. Mehta.—When the steamer comes, all our workers are collected together and they do the work.

President.—By your workmen you mean lunaries.

Mr. Mehta.—Yes, and sub-lunaries.

Mr. Mathias.—That comes under establishment charges.

Mr. Mehta.—We don't pay that, but you may take it like that.

Mr. Mathias.—Another charge has to be added for night coolies. That is part of your manufacturing costs.

Mr. Mehta.—Yes, that is where the boat works.

Mr. Mathias.—What is the charge?

Mr. Mehta.—4½ pies.

Mr. Mathias.—For what?

Mr. Mehta.—For taking it from our works to the Stonebunder.

Mr. Mathias.—How do you take it?

Mr. Mehta.—By camels.

Mr. Mathias.—Is that done by the contractor?

Mr. Mehta.—Yes.

Dr. Matthai.—For a production of 4,000 tons a year, what is the sort of camel force that will be required.

Mr. Mehta.—Eventually we will have motor lorries. As soon as the crushing plant is ready, we will have to make roads.

Mr. Mathias.—The next item is unloading charges at Keamari. Where is Keamari?

Mr. Mehta.—Keamari is the east wharf.

Mr. Mathias.—You don't take your stuff straight to the boat.

Mr. Mehta.—From the Stonebunder we take it to the sea side.

Mr. Mathias.—You don't take it to the steamer.

Mr. Mehta.—The steamer is at the wharf and we bring our salt by the boat to the side of the steamer.

Mr. Mathias.—Then that is unloading charges into the steamer.

Mr. Mehta.—Yes.

Mr. Mathias.—The unloading charges are not actuals.

Mr. Mehta.—Yes, they are.

Mr. Mathias.—That is not done by your men.

Mr. Mehta.—It is done by contract.

Mr. Mathias.—Do you get terms as low as 1½ pies?

Mr. Mehta.—Yes.

President.—The cost of transport from the works will come to as follows:—

	Per 100 maunds. Rs.	A.	P.
Transport charges	2	4	0
Loading into boats	0	10	0
Boat hire	3	5	9
Night coolies	0	2	10
Unloading charges at Keamari	0	11	9
	7	2	4
or	7	2	6

Then there is wharfage. Is this wharfage at this end? You must have charged for the empty bags.

Mr. Mehta.—Yes, Rs. 1-4-9. The total comes to Rs. 9-9-9 including the wharfage of Rs. 1-2-6.

President.—That is at this end.

Mr. Mehta.—Yes.

President.—Rs. 9-9-9 is for 100 maunds and for a ton it is roughly about Rs. 2-8-0.

Mr. Mehta.—Yes.

President.—You say you have got to bag this salt.

Mr. Mehta.—Yes.

President.—What is the reason? In steamer it goes in bulk.

Mr. Mehta.—It goes in bag and it is emptied into the steamer.

President.—Is this the depreciation on the bags that you are charging?

Mr. Mehta.—Yes, it is rather heavy.

President.—Does everybody do it? Mr. Hallifax, how do you do?

Mr. Halifax.—We send it in bulk.

Dr. Matthai.—What is your reason, Mr. Mehta, for sending it in bags?

Mr. Mehta.—I haven't got the facilities to send it in bulk.

President.—It goes by camel.

Mr. Mehta.—Yes.

President.—That is because you use camel for transport that you have got to use bags.

Mr. Mehta.—Yes.

President.—Would it not be better if you had a little railroad as at Grax?

Mr. Mehta.—Unless charges are made equal for everybody, I would not send it in bulk in the ordinary country craft.

President.—You are able to bear a cost of Rs. 2-8-0 per ton under these heads at present.

Mr. Mehta.—We have to meet it.

President.—The position therefore is this: supposing this arrangement was made—the one that we discussed yesterday—even if the manufacturer was made to pay Rs. 2-8-0 a ton delivered into the ship, his costs would not go up beyond what you have given here. It might not be an unprofitable proposition to take it over.

Mr. Mehta.—Yes, it appears so.

President.—Let us calculate what it costs. To Rs. 9-9-0 you have to add freight of Rs. 22-7-8 which comes to about Rs. 32-1-3 c.i.f. Calcutta.

Mr. Mehta.—Yes.

President.—At the Calcutta end you have got to add Rs. 8-12-10, is that right?

Mr. Mehta.—Yes.

President.—Then there is loss in weight.

Mr. Mehta.—Yes, that is Rs. 1-4-0.

President.—Let us cut out commission charges.

Mr. Mehta.—Yes, then it comes to Rs. 6-12-10.

President.—The total comes to Rs. 40-2-1. That is including transport. That means 6·4 anna per maund. Now we must calculate your works cost. The total manufacturing cost is Rs. 13-8-8 (Rs. 12-8-0 for manufacturing charges and establishment, water, etc., charges *plus* Rs. 1-0-8 for weighing charges). Now we have to add depreciation and return on the capital.

Mr. Mehta.—Yes.

President.—You calculate at 4 pies a maund. On what capitalisation is it?

Mr. Mehta.—Interest on Rs. 30,000, that is all what we do.

Mr. Mathias.—At what rate do you charge?

Mr. Mehta.—6 per cent.

President.—How have you taken depreciation?

Mr. Mehta.—The interest of 4 pies is not on the full amount.

President.—You have taken on a month's production.

Mr. Mehta.—Yes.

President.—What we to do is to take the total capitalization.

Mr. Mehta.—I actually took a production of 1,000 tons, but incidentally it has come to a month's production.

President.—We must take the capital whatever it is. Here Rs. 30,000 multiplied by 12 would give you the capital.

Mr. Mehta.—6 pies would be a fair amount to take.

Mr. Mathias.—What is the capital cost of establishing your works?

Mr. Mehta.—Rs. 52,000.

President.—We will take it at Rs. 60,000. That will give you an output of 1,000 tons a month.

Mr. Mehta.—Yes.

President.—What rate of depreciation do you charge or think reasonable on your works? This includes no crushing plant.

Mr. Mehta.—I would give it 15 years lease of life.

President.—You give 15 years, but we give 16 years so there is not much difference.

Mr. Mehta.—Quite so.

President.—When you reach your full output, what would be your capital?

Mr. Mehta.—Rs. 2½ lakhs including the crushing plant and everything.

President.—Would it not be better to take it on that footing?

Mr. Mehta.—Yes.

President.—We have to allow depreciation and a fair return on that.

Mr. Mehta.—But I am very doubtful about that. I want to put down the life of my crushing plant at 15 years.

President.—What we do is that we give an average rate on the whole block account.

Mr. Mehta.—For your calculation purpose you can do so.

President.—You may have a piece of land on which also you will get 6¼ per cent. In all our enquiries we have allowed 6¼ per cent. and it has worked satisfactorily so far. In fact it is far too much for some undertakings. That is when you use machinery for 24 hours, 6¼ per cent. will

be all right, but where you don't, depreciation will be less. We have not made any departure so far in the matter of depreciation. What about your working capital. Is that included in this 2½ lakhs.

Mr. Mehta.—Yes.

President.—We take our working capital separately. Do you take 4 months from the time you manufacture for the money to come back?

Mr. Mehta.—3 months.

Mr. Mathias.—What would be the full output for the full capital cost?

Mr. Mehta.—25,000 tons.

President.—Capitalisation is Rs. 10 a ton.

Mr. Mehta.—Yes.

President.—We have to calculate depreciation. You estimate that your total capitalization will be Rs. 2½ lakhs out of which you will allow Rs. 25,000 for working capital so that depreciation has to be calculated on Rs. 2,25,000.

Mr. Mehta.—Yes.

President.—And the return will be calculated on your investment of Rs. 2,50,000.

Mr. Mehta.—Yes.

President.—That is irrespective of the rate at which you have lent the money.

Mr. Mathias.—Rs. 25,000 would be considerably less than three months turnover.

President.—It will be more than that.

Mr. Mehta.—At present it is.

President.—We generally take so many months turnover. We calculate the number of months during which your capital is likely to remain locked up and allow you a certain rate. When we add the charges it will give you the c.i.f. price in Calcutta. We have got to add at the other end the Agent's commission.

Mr. Mehta.—Yes.

President.—What is your practice? How do you sell your salt when it arrives in Calcutta?

Mr. Mehta.—One shipment we sold *ex*-ship; the other shipments we are putting in golahs and the Agents sell *ex*-golahs.

President.—This is a fixed charge, Rs. 2 per 100 maunds.

Mr. Mehta.—Yes.

Mr. Mathias.—Is that a fixed charge or a percentage charge.

Mr. Mehta.—It is a fixed charge.

President.—We have found that formerly the difference between the golah price and the *ex*-ship price was about Rs. 8 and now they have reduced it to Rs. 3 at present.

Mr. Mehta.—We all sell *ex*-golahs.

President.—To the other people getting it *ex*-ship it makes a difference of only Rs. 3, so most people take it *ex*-golah.

Mr. Mehta.—Yes.

President.—So that the charges to take would be *ex*-golah charges.

Mr. Mehta.—Yes.

President.—To this you have got to add the crushing charges. The Okha Salt Works people have given As. 12-6 as the crushing charge per ton. For 100 maunds it may mean Rs. 3.

Mr. Mehta.—I think Rs. 3 would be an underestimate.

Dr. Matthai.—What is your own estimate?

Mr. Mehta.—My own estimate is Rs. 8 to Rs. 9.

President.—It cannot be.

Mr. Mehta.—I have no experience.

President.—They have a very old fashioned machinery in Aden. The Indo-Aden Salt Works have given a rate of Rs. 1-3-0 per ton for crushing and that is excluding depreciation.

Mr. Mehta.—Yes, if you exclude depreciation and interest.

President.—The only people who are now crushing are the Okha Salt Works and the Grax Limited.

Mr. Mehta.—Yes, and also Laxmi Salt Works.

President.—Can you tell me what your crushing costs are?

Mr. Mehta.—9 pies per maund.

President.—Does that include depreciation and interest?

Mr. Mehta.—No.

President.—Supposing you had a bigger plant, the cost should not be so high.

Dr. Matthai.—This Rs. 4 that you suggest is for 100 maunds.

Mr. Mehta.—Yes.

President.—That gives us your fair selling price *ex*-golah. Supposing we had this marketing organisation, which bought your salt free on board, you would simply get free on board costs or you might get c.i.f. price. If you get the free on board price, you don't have to pay any freight. You simply hand it over to the Company and they can take it wherever they like and market it wherever they like. If they pay you the c.i.f. price, you will have to deliver it at Calcutta. If you get to f.o.b. price, you won't have much capital locked up. The marketing organisation may take it by rail if it likes to some territory nearby. If you get a fair selling price for your salt and if it is marketed for you, you have no objection to that.

Mr. Mehta.—We will give you our considered reply later on.

President.—What is your scheme, supposing there was no marketing organisation. How do you wish us to proceed? You must give us some other alternative if you reject this one.

Mr. Mehta.—I can assure you that I have been thinking over what you have suggested. I have in my mind various alternatives.

President.—Tell me what they are. You are not committing yourself to anything. Just tell us what they are and we will consider. We will help you to consider also just as you would help us in considering the proposal.

Mr. Mehta.—The first alternative is that the present arrangement of marketing at Calcutta by a pool should be broken.

President.—How do you suggest that it should be broken?

Mr. Mehta.—By plainly telling them.

President.—You can tell them as much as you like. But what is the sanction for it?

Mr. Mehta.—The sanction is this: there will be a tariff duty if the thing is not broken.

President.—They are not children. They want something tougher than that.

Mr. Mathias.—Your scheme would be this that Government should warn them that unless they admitted your salt Government would take action either by legislation or in some other manner and prevent the importation of their salt.

Mr. Mehta.—That is the thing I would suggest.

President.—They will want to know what will the Government do if they refuse. You have got to tell them what weapon you are going to use. We want to know how are you going to frighten them into good behaviour. They know that our Govenrment cannot do whatever it likes, as before. Government is not nearly as omnipotent as it was. It has got to submit to the ordinary procedure.

Mr. Mehta.—The second point would be very clear as far as I can see. India could or would produce enough salt for the country if it was allowed. Only you take the legal step and prevent foreign salt from coming in. Then there are merchants who will fight their own battles.

President.—There is a difficulty about price and also the difficulty about the quality. The consumer is not going to be left at the mercy of the manufacturers as in Madras and Bombay.

Mr. Mehta.—There would be a serious competition among the Indian manufacturers.

Mr. Mathias.—In the meantime we must consider what would happen if this legislation was introduced. If we prohibited the importation of foreign salt next year for instance, India would not be in a position to produce more than a portion of what was required.

Mr. Mehta.—That is not my object. My object is that if the Tariff Board is convinced foreign salt should be stopped from coming in if India is to produce this salt.

Mr. Mathias.—What is your idea? Should it be introduced by degrees?

Mr. Mehta.—Yes.

Mr. Mathias.—In what way?

Mr. Mehta.—If you are convinced that India produces so much salt, you should not allow more than a certain quantity of foreign salt to come in.

President.—It means control. You cannot have partial control which may fail.

Mr. Mehta.—My conclusion is that if encouragement is given to the Salt industry, within two or three years, India would be able to produce the salt that is required.

President.—For two or three years what are we going to do? How are you going to stop the competition? How are you going to supply the country's demand? How are you going to prevent Aden from swamping you out? Do you wish the industry to be transferred to Aden. We must give Aden the same thing as we are giving you, because it is no foreign salt. Aden says ' we will supply you with 400,000 tons which they can '.

Mr. Mathias.—The Okha people say that they can produce 400,000 tons.

President.—Where is Karachi then? I do not know what the position is in Aden. Supposing they increase their production, they have got the same advantages as you have. They have been longer in the field and they claim that their costs are lower and they appear to be so. They have got better freight facilities than you have.

Mr. Mehta.—Supposing the marketing organisation is established and Aden offers 4½ lakhs of tons at Rs. 50 or Rs. 55, it may say " I am getting it from Aden ".

President.—Under the marketing scheme everything has to be controlled. Then it will be possible to say that Aden shall not supply more than so much. When you don't want any control, Aden is entitled to say ' you have no control and we will supply '. That is their position, so that you cannot have it both ways. You cannot have no control and at the same time shut out Aden. But if you have control, you may say to Aden—I do not know what the proposal may be: I am just telling you that it may be more feasible to tell Aden—' you get only so much ', because you will attempt control all round. If you don't then it is not possible to stop Aden. As a matter of fact Aden does not want any protection.

Mr. Mehta.—Aden is a factor.

President.—Okha also is the same thing. Is there any other alternative? You have got one or two things to remember. If you have control, the control must be effective and complete for your purpose or you have no control. You cannot have partly one and partly another. It is opposed to all principles and is impracticable.

Mr. Mehta.—We have got all your view and we will give you our considered opinion before you reach Bombay. I see there are so many factors and I don't want to say anything just at present which will commit my friends.

President.—You can give your own personal view.

Mr. Mehta.—I still feel that the public utility company need not be outside the manufacturers.

President.—That is a detail.

Mr. Mehta.—I don't anticipate any of the dangers which you are anticipating.

Dr. Matthai.—Are you suggesting a marketing organisation which is composed partly of manufacturers and partly of the public and Government?

Mr. Mehta.—Entirely of manufacturers.

President.—You have to show some very special advantage for this arrangement before you could get the Assembly to agree to it.

Mr. Mehta.—All that we say is this: first of all you control our prices, and then if there is to be any profit at the marketing end, I suggest that it should go to the manufacturers who have put in their capital. For marketing purposes they may have to invest a little more capital, and that is all.

President.—I will tell you what you would do. Supposing somebody else wants to start manufacturing, then it is possible for you, as we can only fix a maximum in the case of a marketing organisation, to reduce your price and prevent somebody else from doing it. That is what this pool is doing. Nobody can come in if they don't want and your manufacturers may do the same thing. If you are to be prevented from doing so, Government must have the power.

Mr. Mehta.—Why should we reduce our profits?

President.—You will by limiting production. The element of competition must be retained here so as to keep you in good behaviour. You may behave like the oil trust which is a combination of manufacturers.

Mr. Mehta.—In the oil trust there is no control. Here you fix the price and we sell it.

Dr. Matthai.—Who fixes the price?

Mr. Mehta.—You will fix the price according to quality.

Dr. Matthai.—Under the scheme suggested by the Tariff Board.

Mr. Mehta.—Yes, and you will also fix the price at which we can sell it to the consumer.

Dr. Matthai.—Supposing I say I am going to start a salt works at another place, are you going to prevent me?

Mr. Mehta.—The Association, as a matter of fact, will be composed of manufacturers.

Dr. Matthai.—You are not bound to market it. How can anybody compel you to market that salt? But if it is a company under the control of Government, you have got to take it.

Mr. Mathias.—Is your suggestion this—that Government should give a complete monopoly of the Bengal market to an Association of manufacturers?

Dr. Matthai.—To an Association consisting of certain specific manufacturers.

Mr. Mehta.—I don't say that. Anybody who likes to come in may come in. The manufacturers can appoint a Manager and a Board. The manufacturers are entitled to get a profit, and that is all I say.

Dr. Matthai.—The point raised by the President is this: supposing some manufacturers who is outside the Association decides to manufacture salt, under your scheme, is he disallowed?

Mr. Mehta.—Why should he be disallowed?

Dr. Matthai.—If he is allowed, your scheme breaks down.

Mr. Mehta.—He can come into the manufacturers' Association.

President.—Supposing you don't take him.

Mr. Mehta.—All that I want to point out is this: once having accepted a fair selling price, why should we allow another public utility company to come in?

President.—Manufacturers are not a public utility company. Supposing we say that the public utility company is allowed to make 6 per cent. profit, you won't be content with 6 per cent., but you will want 10 per cent.

Mr. Mehta.—We have, as it is, invested our capital in this industry. The only capital we will require is to finance the business for the period that elapses between the time that we send our salt and the time we sell it. That capital we can well afford to expend and earn 6 per cent. interest on it, and further the control will be in our hands.

President.—If you like there is nothing to prevent you from becoming a shareholder.

Mr. Mehta.—Otherwise you would not be able to attract capital unless some debenture is raised for the public utility company.

Mr. Mathias.—Supposing it is a Government monopoly entirely instead of a selling organisation—I understood the President to say that the actual means of carrying it out is a matter which could be worked out later . . . .

Mr. Mehta.—I am very much afraid to play into the hands of anybody. I am afraid that it may say that when I produce 5,000 tons it will only buy from me 1,000 tons.

President.—You have not understood the whole thing. The whole point is that the public utility company will say that it requires 500,000 tons. Whatever you can supply, it is bound to take at the fixed price.

Mr. Mehta.—Okha may say that it will give you 400,000 tons.

President.—We want to keep that element of competition.

Mr. Mathias.—Your point is this: that although at the commencement of the scheme suggested by Sir Padamji, it would be possible, when the manufacture in India is very much less than the consumption, for the public utility company to take the whole of your production, yet later on when there may be over-production in India, you would be in the hands of practically one consumer, that is to say they would say "tender to us for whatever amount you like of this 500,000 tons". You tender and Grax and others also will tender, and the lowest tender may be accepted. At that time you might be left with your works without any market at all. That is really your point.

Mr. Mehta.—Yes.

President.—That is perfectly true.

Mr. Mehta.—That means I will have to shut my works.

President.—The remedy is that amongst yourselves you must see that there is no over-production.

Mr. Mehta.—I can quite understand this if it is only Karachi. I don't understand how it will be possible if Okha, Aden and other places are brought in.

President.—Supposing you are not willing to have this scheme, the position is simply this: we may say we cannot make any recommendation which would help the industry. That is the point. You will have to give me some scheme as an alternative which we can take the responsibility of putting forward and the scheme should not be such that it would break down.

Mr. Mehta.—It is exactly the same reason that I am telling you this. Supposing I don't sell salt there will be some profit yet which I may get out of this public utility business.

President.—I think it is better for you to set out this scheme in writing and point out whatever difficulty you apprehend. First of all say whether you want an organisation like that or not. That is the essential point. Then say if the organisation is constituted, we want to work it in such and such a way. I have got no strong views on that point. I am asking for advice.

Mr. Mehta.—We are also trying to find out your views so that we may consider them. It is not that we object to the scheme.

President.—First of all consider what is the alternative of duties and bounties. Assuming that they are not feasible what is your alternative? I have put forward this alternative. If you have got any other alternatives, please put them forward, first of all the principles and then the details.

Mr. Mathias.—The object in view is the stabilisation of prices in the Calcutta market and to prevent fluctuations of prices from time to time. . .

President.—And the control of quality.

Mr. Mehta.—We will bear all these points in mind and give you our considered opinion later on.

Mr. Mathias.—Our terms of reference ask us to consider whether it is in the public interest that the production of salt in India should be encouraged. Of course there are many places in the world where salt is produced at rates at any rate lower than the rates in Karachi and probably a good deal lower. It may not be considered in the public interest if we are to give a special price as suggested by the President in perpetuity to Indian salt. There must come a time when the Indian salt must be able to compete with salt in Port Said and other places. Can you give us any idea as to whether if protection or assistance is afforded for a reasonable period, it would be possible at the end of that period to reduce your costs in any way.

Mr. Mehta.—If you take the cost of manufacture and the cost of transport, the cost of manufacture is very, very little. The main item in the cost is transport. Now the only way to make our salt cheaper is to make the cost of transport cheaper. The consideration is not how to make the cost of manufacture cheaper, because in comparison with the cost of transport, the cost of manufacture is very little. When the transport charges become cheaper, our salt can also be sold cheaper. Our competition with the foreign salt is not in respect of cost of manufacture, but in respect of transport. As they can transport their salt cheaper, we are handicapped.

President.—The idea of a marketing organisation is also this. It places the salt in the market from the nearest and the cheapest source for that particular market. Supposing the Karachi manufacturers like to put in their salt in all markets, it might be quite uneconomical and must raise the general average of prices. The marketing organisation will say "it is cheaper to take this Karachi salt to Allahabad by rail or to send it to Chittagong direct from here and so on". In that way by taking the salt from the nearest source of supply we may be able to average the prices in such a way that they are lower than they would otherwise be. That is the thing for which you want a marketing organisation. Even big corporations have separate marketing organisations even though they are manufacturers.

Mr. Mehta.—I was answering the question as to the period. The period would be determined by the railing and shipping facilites that we get. Even to-day in Karachi one case of anything from London is cheaper than I can send it from here to Bombay.

Mr. Mathias.—With the development of the port of Karachi I suppose you would have more coal supplied here and that would increase the number of boats coming here.

Mr. Mehta.—As long as there is a monopoly, there is trouble. At present both the Scindia Steam Navigation Company and the British India Steam Navigation Company have some pool.

President.—You now want the manufacturers' pool.

Mr. Mathias.—The point is if you have more ships calling at Karachi as the port gradually develops, it may pay them to take your salt cheaper.

Mr. Mehta.—I am very doubtful.

Mr. Mathias.—Is there any possibility of a reduction in the cost of manufacture?

Mr. Mehta.—I don't see that there can be any reduction in the cost of manufacture to speak of. I don't see any way out except Government help which would make the industry living. That is the whole trouble. Otherwise we would not ask for any kind of protection. The whole difficulty is shipping facilities.

Mr. Mathias.—I understand that provided the ring in Calcutta is controlled, you see no difficulty in competing with the foreign salt in the Calcutta market. Supposing you had free trade in Calcutta, would not you people in Karachi be able to compete on your present costs.

Mr. Mehta.—Individual manufacturers would be able to sell.

Mr. Mathias.—You don't think that you would be able to sell at Rs. 65.

Mr. Mehta.—Supposing a Spanish merchant or Aden merchant or an English merchant was selling, he would directly sell it cheaper to India.

Mr. Mathias.—Do you think that Rs. 65 a ton is an artificial price?

Mr. Mehta.—They have brought it down because the Indian salts are coming in.

Mr. Mathias.—At Rs. 65 Karachi is able to hold its own.

Mr. Mehta.—It may be able to hold its own.

Mr. Matihas.—Do you anticipate any big further reduction in price?

Mr. Mehta.—I think so.

Mr. Mathias.—Apart from any manipulation of this particular ring? Supposing the ring is not there?

Mr. Mehta.—The merchant can easily sell salt cheaper.

President.—The position may be worse in a way. If this ring was broken up, then everybody would be at liberty to import the cheapest salt.

Mr. Mehta.—If the ring is broken and nothing done, the position may be worse.

Dr. Matthai.—The issue now has been narrowed down to this. Is it to be a public utility company or is to be a manufacturers' Association?

Mr. Mehta.—My own point of view is why should I not earn the profit which is legitimately my own, and allow it to anybodyelse. As I say I am open to being controlled.

President.—Once you admit the principle of control, you cannot get away from the marketing organisation. If we are going to have control, it must be real and effective.

Mr. Mehta.—I shall think it over and let you know. As regards the public utility company . . . .

President.—I have used that term only by way of illustration.

Mr. Mehta.—I am extremely against it from one point of view. When we come to full production, we will be entirely in a continual tremor of this blessed public utility company. Some of us will probably like to bribe them in some manner.

President.—We ought to make it bribe-proof. The proceedings must be so public that it cannot be done.

Mr. Mehta.—I am simply pointing out to you the difficulties.

President.—Sometime we hope to have the benefit of your advice.

Mr. Mehta.—We shall consider and let you know.

President.—Don't put too much emphasis on the Karachi aspect of the question. We want your advice. We want you to point out to us all the difficulties that you may feel. We also want an alternative scheme if you can suggest one so that we may discuss that with you. We have no cut and dried scheme at all at the moment. We are now only considering all possible alternatives.

Mr. Mehta.—Yes, I understand the position.



Moon Salt Company, Maurypur.

Evidence of Messrs. RIJHUMAL VERSIMAL, JAMAIT RAHMATH and KAMU SOOMAR, recorded at Karachi on Friday, the 22nd November, 1929.

President.—Whom do you represent?

Mr. Versimal.—We represent the Moon Company. We are the lunaries who were originally the manufacturers of Salt in the Government Salt Works.

President.—Are the lunaries professional salt makers?

Mr. Versimal.—Yes.

President.—Did you have any original rights in any of these lands where you work?

Mr. Versimal.—We have been manufacturing for the last 50 years. This has been going on from our ancestors and the Government officers have since been promising to look after our interests.

President.—Let me understand the position. Before the Excise Department was started, were you all working there?

Mr. Versimal.—Yes.

President.—Then you manufactured salt and sold it on your own account.

Mr. Versimal.—Yes.

President.—After the introduction of this new system you still manufacture salt and Government purchase it from you at a fixed price, is that right?

Mr. Versimal.—Yes.

President.—Originally you were paid one anna per maund.

Mr. Versimal.—Yes.

President.—How many maunds would you manufacture in a year?

Mr. Versimal.—Do you mean each panholder?

President.—Yes.

Mr. Versimal.—That depends upon the pans. If it is a good pan it will come to about 4,000 mds. and if it is a bad one between 3 and 3½ thousand maunds.

President.—That is to say it would be about Rs. 200 to Rs. 250 a year.

Mr. Versimal.—Yes.

President.—Do you work for ten months or for the whole year?

Mr. Versimal.—It is mostly for 12 months unless of course it rains.

President.—How many pans would each lunari have on an average?

Mr. Versimal.—Most of the lunaries have one or two, but some of the old lunaries have got between 8 and 10 pans each.

President.—On each pan how many men would work?

Mr. Versimal.—One man at present looks after one pan.

President.—Does the whole of that money go to one man?

Mr. Versimal.—Yes.

President.—Does his family work with him?

Mr. Versimal.—If one lunari has got many pans, he cannot attend to all of them himself. He has got servants under him to look after them.

President.—What I want to know is how many people have got to attend to each pan. This Rs. 225 doesn't go to one lunari, does it?

Mr. Versimal.—The servant shares with him.

President.—What does the servant get? What are his wages?

Mr. Versimal.—It is As. 12 in the Re. 1. Out of every rupee the servant gets As. 12. Besides that the lunari bears the expenses of digging wells and repairing pans.

President.—That was when you were paid one anna a maund. Now you are paid As. 1-9 per maund.

Mr. Versimal.—Yes.

President.—That means nearly Rs. 400 to Rs. 450 per year.

Mr. Versimal.—Yes.

President.—What I want to know is whether out of this 75 per cent. goes to servants.

Mr. Versimal.—Yes, ¾th of it will go to the servants and ¼th to the lunari from which he has got to meet the other expenses. There is only one servant who looks after one pan.

President.—What does the lunari himself do?

Mr. Versimal.—He looks after one pan himself. He cannot look after all the pans himself and so he has to engage servants.

President.—How many pans have you got?

Mr. Versimal.—Three.

President.—Therefore on this calculation you get about Rs. 300 a year and the servants will get Rs. 900 a year.

Mr. Versimal.—Yes.

Mr. Mathias.—Cannot you look after all the pans yourself?

Mr. Versimal.—I cannot attend to all the three.

Mr. Mathias.—Cannot you look after one?

Mr. Versimal.—Yes, I look after one and I have two servants to look after the other two. My cousins have also got pans and these also have to be looked after by me. There are certain lunaries who attend to the pans themselves, but the great majority of them look after the pans as servants.

President.—What is the average earning?

Mr. Versimal.—In the summer we get about a rupee and in the winter when it is cold we get about 10 to 12 annas a day.

Dr Matthai.—That is the average earning.

Mr. Versimal.—Yes, per day.

President.—What is the net earning of a lunari?

Mr. Versimal.—At present we do not save anything.

President.—I am not now concerned with saving. How much does each lunari get?

Mr. Rahmath.—Apart from saving we often get into debts.

Mr. Mathias.—How much does each lunari get to fill his stomach?

Mr. Rahmath.—Between As. 10 and one rupee.

President.—How many lunaries are there altogether?

Mr. Versimal.—About 100.

Dr. Matthai.—Altogether what is the total population of lunaries in Karachi?

Mr. Versimal.—150.

Dr. Matthai.—Is it 150 families?

Mr. Versimal.—150 leading members.

Dr. Matthai.—How many of them are working in the Moon Company?

Mr. Versimal.—89.

Dr. Matthai.—Do these 89 people work anywhere else?

Mr. Versimal.—They all work here except a few of them.

President.—In the Star Company are there any lunaries?

Mr. Versimal.—Yes.

President.—How many lunaries are available in Karachi?

Mr. Versimal.—There are about 27 members working with the Star Company and 15 extra are working here.

President.—Does that exhaust the number?

Mr. Versimal.—A few are working also at the Grax and at the Laxmi Works.

President.—Are other people employed besides lunaries?

Mr. Versimal.—Other people are also being trained as lunaries.

President.—How many of them are being trained?

Mr. Versimal.—The Laxmi people must have given you their figures and so I think should Grax have given you their figures.

President.—You can train people as lunaries.

Mr. Versimal.—Yes, they could be trained.

Dr. Matthai.—Do the lunaries working in other Companies make more?

Mr. Versimal.—They get more.

Dr. Matthai.—How much more?

Mr. Versimal.—About a couple of annas more.

Dr. Matthai.—Has there been any tendency on the part of the lunaries to give up the Moon Company and join other Companies or other occupations recently?

Mr. Versimal.—All the 150 people are engaged in the salt business.

President.—You say " In 1915 Government issued a new system by which each lunari had to obtain license for manufacturing salt which system is still in existence ". Does this mean that each lunari has got to get a license from Government?

Mr. Versimal.—Yes.

President.—But under the Moon Works?

Mr. Versimal.—Even under the Moon Works each lunari is given a license.

President.—What is the complaint against the present system?

Mr. Versimal.—We want that the land should be given to us as it is given to the other Companies, so that we may not have to pay any extra charges which Government levy on us now.

President.—What are these extra charges?

Mr. Versimal.—The establishment charges which Government levy on salt made by us come to 5 pies per maund.

President.—Do you object to the imposition of 5 pies per maund by Government?

Mr. Versimal.—Yes.

Mr. Mathias.—Do not other Companies pay these establishment charges?

Mr. Versimal.—They don't pay unless it exceeds 5 per cent. of the duty realised.

Mr. Mathias.—Whereas you have to pay always.

Mr. Versimal.—Yes. The area is not leased out to us, and we are only manufacturers on behalf of Government.

President.—Government buys it from you at As. 1-9 per maund.

Mr. Versimal.—Government do not store it. We have to arrange for the sale of the salt.

President.—The Moon Company buys it at one anna nine pies per maund.

Mr. Versimal.—The Moon Company as purchaser has to pay 5 pies for establishment. As. 2-2 is the cost to the Moon Company which it pays to the Government.

President.—You are manufacturers to start with.

Mr. Versimal.—Yes.

President.—You get one anna nine pies, do you get that from the Moon Company or from Government?

Mr. Versimal.—We get one anna nine pies from Government. The Government cannot sell this salt, so the Moon Company buys it from Government and sells it. Whilst Government sell the salt to the Moon Company, they recover 5 pies more from the Moon Company for establishment charges.

President.—I see the position now. First of all you are manufacturers and then you have formed into some sort of Association to sell the salt.

Mr. Versimal.—Yes.

President.—It costs the Moon Company As. 2-2 per maund.

Mr. Versimal.—Yes, that is Maurypur delivery.

President.—After that the Moon Company sells it anywhere it likes.

Mr. Versimal.—We have our own agents and we sell it through them in the market.

President.—What interest have you in joining the Moon Company?

Mr. Versimal.—We have formed the Moon Company ourselves. Government were going to suspend the manufacture of salt, because they refused to find a market for our salt on account of the high cost. As we were faced with unemployment, we begged the Government to allow us to continue the manufacture and said that we would find a market for our own salt. That was how the Moon Company which is purely a selling Company came into being. Originally we were charged 10½ pies per maund as establishment charges. On our application to them, they reduced these charges from 10½ pies to 5 pies.

Dr. Matthai.—May I understand the position? The Moon Company sells to Government at As. 1-9.

Mr. Versimal.—In the first place we are not called Moon Company. We are only lunaries.

Dr. Matthai.—The Moon Company buys this salt at As. 2-2 per maund.

Mr. Versimal.—Yes, from Government.

Dr. Matthai.—Government add 5 pies to As. 1-9 which they pay you as lunaries and sell to the Moon Company at As. 2-2 per maund.

Mr. Versimal.—Yes, 5 pies is added as establishment charges by Government.

Dr. Matthai.—So that the Moon Company pays As. 2-2 for the salt it buys from Government. That is put on the market, let us say, at As. 2-6 for argument's sake. What happens to the 4 pies? Is that distributed among the members?

Mr. Versimal.—Yes.

Mr. Mathias.—The Moon Company is really a Co-operative Credit Society.

Mr. Versimal.—Yes, in a way. Whatever the Moon Company realises is put in the Co-operative Credit Bank and at the end of the year if there are any profits, the profits are distributed amongst the members.

President.—Have they had any profits recently?

Mr. Versimal.—They only commenced it last year.

President.—I understand that Mr. J. N. R. Mehta is helping them.

Mr. Versimal.—Yes.

President.—It is he who is really running the Moon Company.

Mr. Versimal.—Yes.

Mr. Mathias.—Is he financing the Moon Company?

Mr. Versimal.—Yes.

President.—You want that instead of this license the pans may be permanently granted to you.

Mr. Versimal.—Yes.

President.—Even these other Companies have not got it permanently. They have only got a lease.

Mr. Versimal.—We also want a lease like other people. But of course we would prefer that the land should be made over to us permanently. The reason why we ask for this lease is that we should be placed on a level with other Companies. We pay 5 pies as establishment charges now, whereas the other Companies do not pay that, because the establishment charges of Government are never more than 5 per cent. of the duty realised from them.

President.—The other Companies seldom pay anything.

Mr. Versimal.—That is so.

President.—But you have got to pay.

Mr. Versimal.—Yes.

Mr. Mathias.—5 pies represents not only the establishment charges, but the overhead charges such as interest on capital, etc.

Mr. Versimal.—Yes.

Mr. Mathias.—You have been granted land with buildings, pans and so on readily laid out.

Mr. Versimal.—Not with buildings, but with pans.

Mr. Mathias.—There is no capital cost really in your case.

Mr. Versimal.—Yes.

Mr. Mathias.—So you have been excused a portion of the 5 pies.

Mr. Versimal.—Yes.

Mr. Mathias.—In the case of the other factories the case is quite different. They have to construct their own bunds, pans, etc., so that they are bearing a portion of the 5 pies themselves. In the case of the Grax Limited they have put up their own bunds, pans, etc., so that they are bearing their own overhead charges.

Mr. Versimal.—Yes, naturally because they have incurred the capital expenditure.

Mr. Mathias.—There are apparently three cases. First of all there is the Laxmi Works which pays neither overhead nor establishment charges unless they exceed 5 per cent. Then comes to Grax who having constructed its own works bears its own overhead, but does not pay establishment charges unless the 5 per cent. is exceeded. Then comes the case of lunaries who pay overhead as well as establishment charges, so that there are three different cases.

Mr. Versimal.—Yes.

Mr. Mathias.—You wish to be placed in the same position as the Laxmi people.

Mr. Versimal.—Yes.

Mr. Mathias.—Have you put in your application before Government?

Mr. Versimal.—We have placed it before the Commissioner in Sind.

Mr. Mathias.—Have any orders been passed on it?

Mr. Versimal.—When Mr. Lloyd was here, we represented our case and the result was that we were asked to pay 5 pies instead of 10½ pies as establishment charges.

Oral evidence of Mr. G. R. G. SHIPP, Superintendent of Salt Revenue, Karachi, recorded at Karachi on Tuesday, the 26th November 1929.

President.—Mr. Shipp, you are Superintendent of Salt Revenue, Karachi.

Mr. Shipp.—Yes.

President.—How long have you been in charge?

Mr. Shipp.—I have worked in the Salt and Excise Department for about five years, but I have only lately been made Superintendent of Salt Revenue.

President.—Whom did you succeed?

Mr. Shipp.—Mr. Kirkwood succeeded Mr. Clifford as Superintendent of Salt and Excise. I had been Deputy Superintendent in charge of the Works.

President.—Where is Mr. Kirkwood.

Mr. Shipp.—He is now on tour.

President.—Are you in charge of salt?

Mr. Shipp.—Yes.

President.—You are responsible to the Commissioner in Sind.

Mr. Shipp.—Yes.

President.—This is a peculiar arrangement. The Salt Department is entirely upder the control of the Central Board of Revenue. How is it that the old arrangement still persists here? Salt has nothing to do with the local Government.

Mr. Shipp.—That has been embodied in a report years ago—the reason for non-amalgamation with Bombay and with the Northern India. Both the schemes were dropped. The Government preferred to have Salt and Excise combined.

President.—That I can understand—your being under the Commissioner in Sind is a thing which I cannot follow because the Collectors of Salt Revenue in other places are not under the orders of the local Governments.

Mr. Shipp.—More or less for political reasons I should think.

President.—There is now a proposal before Government.

Mr. Shipp.—Yes they have not decided yet. It will continue to be either under the Commissioner in Sind or be attached to the Salt Revenue Department Bombay or the Customs, Karachi.

Mr. Mathias.—There is no proposal now that you should be placed under the Commissioner of Northern India Salt Revenue.

Mr. Shipp.—No.

Dr. Matthai.—It was considered at one time.

Mr. Shipp.—Yes.

President.—I don't understand this idea of the Salt Department being under the local Government. You are under the administrative control of the Commissioner in Sind.

Mr. Shipp.—Yes.

President.—Obviously there must be some reason for such an arrangement as this. That of course we do not know. Now I wish to know precisely what the procedure is as regards the levy of the salt duty here.

Mr. Shipp.—The levy of the salt duty?

President.—I mean the excise duty. When salt is exported by sea from here, I understand that it goes in bond.

Mr. Shipp.—Yes.

President.—It is practically taken over by the Collector of Customs, Calcutta.

Mr. Shipp.—Yes.

President.—But here who acts on your behalf?

Mr. Shipp.—We send it by boat to the Collector of Customs, Karachi.

President.—Through the Collector of Customs, Karachi?

Mr. Shipp.—It is shipped under the supervision of Customs officers at Karachi.

Mr. Mathias.—Where is it weighed?

Mr. Shipp.—At the works.

Mr. Mathias.—You give a certificate.

Mr. Shipp.—Yes.

President.—That is accepted by the Collector of Customs.

Mr. Shipp.—Yes.

President.—So far as you are concerned there is not very much restriction as regards the salt going by sea to Calcutta.

Mr. Shipp.—Very little.

Mr. Mathias.—There is a restriction, is there not, as to the tonnage of the ship in which it can be shipped?

Mr. Shipp.—Yes not below 1,000 tons.

Mr. Mathias.—What is the reason for that?

Mr. Shipp.—It is probably to prevent the boats putting in at small places on the coast and the salt finding its way somewhere else without duty being paid.

Mr. Mathias.—We have found in Bombay that they are able to ship in smaller quantities than 300 tons.

Mr. Shipp.—That is duty paid.

Mr. Mathias.—The reason then is to prevent any kind of smuggling, is that the idea?

Mr. Shipp.—Yes.

President.—As regards the internal excise arrangements here what procedure do you follow when they want to sell it in Sind?

Mr. Shipp.—Whoever wants salt applies for it and we issue an order on the works to issue salt and it is weighed out. It is a very simple procedure.

President.—He pays the duty.

Mr. Shipp.—Yes if it is for local consumption.

President.—Have you got the credit system here?

Mr. Shipp.—Yes the Central Bank of India and the Imperial Bank of India have adopted the system.

Dr. Matthai.—The period is six months.

Mr. Shipp.—Yes.

President.—Do they make use of it?

Mr. Shipp.—There is hardly any cash system at all.

Mr. Mathias.—Does the credit apply to the duty as well as the cost price of salt?

Mr. Shipp.—Duty only.

Mr. Mathias.—They have still to pay the cost of price of salt.

Mr. Shipp.—Yes.

Dr. Matthai.—They deposit Government paper as security.

Mr. Shipp.—Yes.

President.—I suppose that the Banks make some money out of it.

Mr. Shipp.—Yes.

President.—That is what I say and Government lose interest for six months. At present Government do not carry on any manufacture of salt.

Mr. Shipp.—No.

President.—That has been stopped.

Mr. Shipp.—Yes.

President.—That is very recently, is it not?

Mr. Shipp.—Yes about April or May last we stopped.

President.—What was the idea?

Mr. Shipp.—Our manufacturing costs were too high and we could not compete with private companies. But as the closing down of the factory would cause great hardship to the lunaris—they would probably be starving—a concession was given to them to manufacture salt and to dispose of it. Although we receive the salt from each individual lunari, the Moon Company, which has been specially formed by the lunaris themselves, sells the salt.

Mr. Mathias.—What is the reason of the higher cost in Government works than in other works?

Mr. Shipp.—The first one is the manufacturing charge of Re. 0-1-9.

Mr. Mathias.—That was by agreement with lunaris.

Mr. Shipp.—Yes.

Mr. Mathias.—That was too high.

Mr. Shipp.—Rather high as compared with private Salt Works.

Mr. Mathias.—Do they work harder for the private companies than they work for the Government.

Mr. Shipp.—Very likely.

President.—How did the scheme of dividing the land come about? I am referring to the four leases.

Mr. Shipp.—They applied independently. The first on the scene was Mr. Cargill. He applied for a concession. That was pending for a long while. Then Mr. Greenfield applied for 200 acres or so. He was originally granted about 120 acres and began the present salt works which he subsequently turned into a company, *viz.*, Grax Ltd.; then Messrs. J. Gourishanker applied at the beginning of 1928.

President.—That is the owner of Laxmi Salt Works.

Mr. Shipp.—Yes.

President.—Mr. Gourishanker is not a local merchant.

Mr. Shipp.—No, he is a dealer in salt in Calcutta.

President.—I suppose he must have applied to you in the first place.

Mr. Shipp.—Yes, *i.e.*, to the head of the Department who at the time was the Superintendent of Salt and Excise in Sind.

President.—And the lease was then given by the Commissioner in Sind.

Mr. Shipp.—The lease was sanctioned by the Central Board of Revenue.

President.—What was the procedure then in force? Did anybody apply for a lease and get it? Practically Government have given away the land in particular cases. What was the procedure—simply anybody who came along got it?

Mr. Shipp.—Those who promised to maunfacture salt for the Calcutta market got it. That was the main principle.

Mr. Mathias.—What was the amount of the area Mr. Cargill applied for?

Mr. Shipp.—200 acres.

Mr. Mathias.—Was it on behalf of Messrs. Edulji Dinshaw and Company?

Mr. Shipp.—Government called upon him to show that he had financial backing. Then, Mr. Cargill got hold of Messrs. Edulji Dinshaw and Company. Ever since it has been called the Edulji Dinshaw Salt Works.

Mr. Mathias.—Is that the present holding?

Mr. Shipp.—Yes.

Dr. Matthai.—It came to this that anybody who got the necessary financial backing got it.

Mr. Shipp.—Yes.

President.—It is like a man going and borrowing £100 and showing to the emigration authorities so that they may permit him to enter the country. That is what it comes to. They have got to be shown some money.

Mr. Shipp.—They have got to prove to the Central Board of Revenue that they have capital. As Mr. Gourishanker is a well known merchant in Calcutta they know all about him.

President.—I don't dispute that. As I was suggesting, it is quite possible to show £100 to the emigration authorities on arrival in Australia.

Mr. Mathias.—Is there any provision that they would develop the works within a certain period?

Mr. Shipp.—In two years.

President.—I have not had time to examine the leases. You have put down certain clauses by which they have to produce a certain quantity within a certain period.

Mr. Shipp.—Yes.

President.—Has any body reached that yet?

Mr. Shipp.—No, because these leases have not been finally executed and permanent licenses have not been issued. That is why we keep two lakhs of maunds of salt in the Government Salt Works in case the manufacturers combine to raise the price of salt locally. In order to avoid that, we have kept a stock on hand.

President.—Is there a binding agreement between you and the lessees; it does not matter whether it is signed or not or it is still open to the parties to back out?

Mr. Shipp.—I think that it is binding. All of them have signed the leases on their behalf. It is only Government that have not signed. I don't think that they can back out unless they do so by mutual agreement.

President.—Government takes a longer time to sign a document than others generally do.

Mr. Shipp.—Yes.

President.—All the formalities I take it have been completed except signing of the leases. Is that the position?

Mr. Shipp.—Yes.

Mr. Mathias.—This area of Edulji Dinshaw's has not been developed.

Mr. Shipp.—They have also two years to develop it.

Mr. Mathias.—How long is it since they have been given the lease?

Mr. Shipp.—Nine months have elapsed.

Mr. Mathias.—They have still 15 months to establish it.

Mr. Shipp.—They have been given time to submit a plan by December. They asked for time to consider the undeveloped area along with the area they have already got.

Mr. Mathias.—**They hold 200 acres on which they have placed I think one or two wells. If within 2 years that is not developed, don't they run the risk of losing the lease?**

Mr. Shipp.—Yes.

Mr. Mathias.—Unless Government condones it.

Mr. Shipp.—Yes.

President.—Two years ought to run from the date on which they have entered into possession.

Mr. Shipp.—I think it runs from the issue of the permanent license.

President.—So that the time has not begun to run yet.

Mr. Shipp.—Not yet.

President.—That applies to the 200 acres that Mr. Cargill had before.

Mr. Shipp.—Yes.

President.—Now the position is the same as regards other lessees.

Mr. Shipp.—Exactly the same.

Dr. Matthai.—Is that the same with regard to Grax Ltd.?

Mr. Shipp.—Exactly the same.

President.—Have you got a clause which entitles Government to purchase the salt from these people?

Mr. Shipp.—Yes.

President.—Which clause is it?

Mr. Shipp.—Clause 6 or 8 of the license.

Mr. Walker.—Clause 8 of the license refers to the consumption of salt in Sind only.

President.—That is as regards the local supply.

Mr. Shipp.—Yes. In the license there is also a provision that the licensees shall maintain a minimum stock of 1,000 tons of salt during the 3rd, 4th and 5th years of the period of this license and thereafter a minimum stock of 3,000 tons of salt.

President.—All the time or at the end of the year?

Mr. Greenfield.—That will be our stock. That of course refers to local salt.

President.—What about this other salt.

Mr. Greenfield.—There is no question about it at all.

Mr. Shipp.—There is nothing about export.

President.—As regards clause 6 about quality—"The licensee shall manufacture salt of a quality not inferior to the standard prescribed by the Commissioner it being understood that such standard shall not be stricter than to allow the presence of 4 per cent. of magnesium and calcium salts and 1 per cent. of dirt (insoluble matter). The presence of 4 per cent. of magnesium and calcium salts and 1 per cent. of dirt I should not consider it a very scientific prescription of a standard.

Mr. Hallifax.—Is it a low standard?

President.—You may have 4 per cent. of magnesium chloride or you may have 4 per cent. of something else which is very injurious to the people who eat it. If the lease has not been signed by the Government I suggest that the licensee shall manufacture salt of a quality not inferior to the quality prescribed by the Commissioner.

Mr. Hallifax.—Even a wider margin for Karachi was given.

President.—The Commissioner in Sind shall take expert advice and then prescribe.

Mr. Hallifax.—Yes.

Mr. Shipp.—That can be done on the report of the Chemical Analyser for Sind.

President.—I wish to say nothing about it, but I think that it would be better if the rest was cut out in the final lease because there should be some power to modify it.

Mr. Shipp.—The Chemical Analyser told me that what he had prescribed was the standard in America.

President.—It is much better to leave it more flexible than that.

Mr. Shipp.—Yes.

President.—It says nothing about the colour test which can be prescribed. These gentlemen may say afterwards that you never said anything about the colour. Colour is a thing which can be prescribed and defined. If it is not too late this might be looked into.

Mr. Shipp.—Yes.

President.—I take it that you have a fairly accurate knowledge as regards the soil in this place.

Mr. Shipp.—Yes.

President.—As regards these sites which have already been allotted, do you consider that this soil is more or less uniform?

Mr. Shipp.—No, I don't think so.

President.—Therefore in making an estimate as to the production of salt really at present we have not got any sufficient data.

Mr. Shipp.—No, we can only go on the actual production of Grax, the Star Works and the Government Works.

Dr. Matthai.—Can you suggest some particular direction, taking Beacon Hill as the land mark, in which all bad soils lie?

Mr. Shipp.—I think myself that the fact that Mr. Maury opened the works at the present spot of the Government Works on which the ancestors of the present lunaris had been manufacturing salt for a century or so showed that that was the nearest spot to Karachi where good salt could be obtained.

Dr. Matthai.—You don't accept any responsibility for the statement of your predecessors in reply to Mr. Dunn.

Mr. Shipp.—None at all.

President.—That is a point on which we cannot have any evidence until all these gentlemen have reached the full output.

Mr. Shipp.—Yes, or until they take the advice of a technical expert.

Mr. Mathias.—I suppose you would consider Mr. Dunn as a technical expert?

Mr. Shipp.—He depended on the experiments carried out by Mr. Clifford at that time.

Mr. Mathias.—Would you consider his estimate safer?

Mr. Shipp.—Rather safe.

Mr. Mathias.—That is 3,000 maunds an acre.

Mr. Shipp.—In the last 20 years we have done 4,000 maunds per acre. If you put down 3,000 maunds an acre for the whole area, it would be safe.

Mr. Mathias.—On Mr. Dunn's estimate we would be—so far as you can say—well within the probabilities of the case.

Mr. Shipp.—Yes.

President.—Mr. Dunn went to a considerable extent on the basis of the actual soil that was being worked at the Government Salt Works.

Mr. Shipp.—Yes.

President.—Now that soil has been worked for about 50 years or more and we all know that a pit which has been worked for fifty years or more does get firmer than new soil.

Mr. Shipp.—Yes.

President.—Therefore you cannot necessarily say that all this new soil would be anything like this in fifty years.

Mr. Shipp.—Quite so.

President.—As to how long it would take, it is really a matter of treating the soil and finding out what it contains.

Mr. Shipp.—Yes.

Dr. Matthai.—There is no kind of official information as to the suitability of the various sites.

Mr. Shipp.—None. We know that brine has decreased considerably in Grax Ltd. They lack brine. In the Star Works the brine has become very much weaker.

Dr. Matthai.—By how much?

Mr. Shipp.—4° or 5° B, weaker.

President.—As regards the quantity also it is very difficult to say how long it might last.

Mr. Shipp.—Yes.

President.—You can get over that difficulty by using sea water.

Mr. Shipp.—Yes.

President.—As regards the soil, you don't get over the difficulty until you actually prove that the soil is suitable to this particular process. But if you use any artificial surface it is a different proposition. Most of these calculations were based on the soil being used in its natural state. What I wish to know is: is there any evidence to suggest that most of the soil lends itself to this use?

Mr. Shipp.—There is nothing to show that it has been examined in detail except the fact that Mr. Maury chose a particular spot where there was very little fresh water for human consumption and where the lunaris had been manufacturing salt for a century or more.

President.—That only applied to the Government works.

Mr. Shipp.—Yes. We do not know whether he went further up or not.

President.—I am quite prepared to admit that if you use artificial beds for the pans you may be able to use that soil. That may be admitted, but as to how much it would cost, one cannot at present foretell.

Mr. Shipp.—Yes that is so.

President.—Nor can we say with certainty that all the soil that is undeveloped or what is being already developed would yield the crop that is expected.

Mr. Shipp.—Quite.

President.—I do not know much about it, but it did strike me that the soil was different in different places as we went along.

Mr. Mathias.—So far as the supply of brine itself is concerned, we would be safe in taking an estimate of 3,000 maunds per acre.

Mr. Shipp.—To the westward from the Government Salt Works, I should say yes.

Mr. Mathias.—Westward means what?

Mr. Shipp.—Towards the undeveloped land. As I say the brine has become very much weaker in the Star Company, and Grax Limited's area. That shows that something is wrong with the soil. Probably seepage is slower or the substratum of clay is not sufficiently impervious to retain the brine.

Mr. Mathias.—The soil is suited to the pans.

Mr. Shipp.—For artificial pans any soil would do.

Mr. Mathias.—One of the Aden Salt Works took about five years before their pans got so set as to be impervious. You say that the soil is not homogenous.

Mr. Shipp.—No.

Mr. Mathias.—In some places it is clay and in other places it is not?

Mr. Shipp.—That is so.

Mr. Mathias.—Therefore for a considerable proportion of it you will have to use artificial pans.

Mr. Shipp.—Quite.

President.—The difficulty we have to face is this. In making our estimates what are we to take into account? If we were to take into account the artificial beds the price may be very much higher than may be justified if you could make salt on natural beds. On the other hand if we were to assume artificial beds we could estimate the production with more precision, and also the cost.

Mr. Shipp.—Messrs. Grax Limited are using artificial beds.

President.—We are not at liberty to divulge what they have said and what they have not said until we have examined them. They maintain that it is a great trade secret. But I think you would agree, Mr. Greenfield, that this is a difficulty we have to consider.

Mr. Greenfield.—I quite understand it.

President.—Because the whole thing may fail if most of the land is not suitable.

Mr. Greenfield.—That is a very important point. The crux of the whole thing is to produce fine salt. It is not a question of any quantity but a very high quality which is aimed at.

President.—Take Aden for instance. They have all got natural beds and apparently the Luxmi Works have got such beds so far. You have not got any artificial beds.

Mr. Greenfield.—In what grade does that salt sell?

Dr. Matthai.—You can get Rs. 60 on clay soil.

Mr. Greenfield.—Yes. I understand that that is not the grade that the Board aims at. The salt aimed at by the Board is fine white salt.

President.—That was why we were telling you that so many qualities of salt were not required. We want a great deal more evidence before we can say what quantity could be produced in India.

Dr. Matthai.—The area to the West of Beacon Hill including this undeveloped land is 1,800 acres.

Mr. Shipp.—Yes.

Dr. Matthai.—It would be a safe proposition to say that on that 1,800 acres you could raise at the rate of 3,000 maunds per acre.

Mr. Shipp.—3,000 maunds per acre would be a fair estimate of production.

Dr. Matthai.—That gives you straightaway 2,00,000 tons.

Mr. Shipp.—Yes.

Mr. Mathias.—Regardless of what the soil is.

Mr. Shipp.—The brine supply would be sufficient for this quantity. So far as I have seen, there is rather good clay—as in the Government Works.

President.—Can you really say that the 1,800 acres is more or less of the same soil.

Mr. Shipp.—Yes more or less.

President.—How can you say that so much can be produced.

Mr. Shipp.—I say on account of the flow of brine.

President.—You may have ten times the quantity, but if it goes down into the bed, what is the use?

Dr. Matthai.—Did Mr. Dunn have anything to say about the undeveloped land?

Mr. Shipp.—No.

Dr. Matthai.—He made no observation about that.

Mr. Shipp.—None.

President.—Has not there been any instance in which all the brine has percolated?

Mr. Greenfield.—Yes.

Mr. Hallifax.—We showed you a place where it occurred.

Dr. Matthai.—All these cases occurred east of Beacon Hill I believe

Mr. Shipp.—Yes.

President.—Even as regards this other land you cannot tell how the land is going to behave.

Mr. Shipp.—No.

President.—You may be able to say that at present it contains a certain quantity of brine. If you begin to dig wells all over the place, it may soon happen that there is not enough left. After all, mathematical calculations do not enable you to get the brine when it comes to getting it.

Mr. Shipp.—That was what Mr. Dunn said.

President.—Anybody can use arithmetic. The whole point is, are we justified in using it?

Mr. Shipp.—If you take the trend of the land itself going westward it seems to me that the brine gets stronger and there is no reason why the brine should not be there. It is much stronger in the west than in the east.

President.—I am not dealing with the brine but I am concerned with the soil if you are using solar evaporation. There are heaps of places where there is brine.

Mr. Shipp.—One could not be certain without making experiments in two or three places and finding out exactly how things stood.

President.—I think that Messrs. Edulji Dinshaw and Company will be able to get us the information.

Mr. Kotwal.—Information is being collected.

Dr. Matthai.—How long have you been collecting this?

Mr. Kotwal.—I could not really say.

Dr. Matthai.—You have been making some local experiments.

Mr. Kotwal.—We have just started.

Dr. Matthai.—Only recently.

Mr. Kotwal.—Yes.

President.—The only persons who appear to be more or less safe are the Government Salt Works and the Luxmi Salt Works.

Mr. Shipp.—Yes.

President.—I don't say that they are necessarily the best but so far as proved facts go, they have got the best sites.

Mr. Shipp.—Yes.

President.—I dare say that we will be able to ascertain from the Laxmi Works how this happened. The Proprietor of the Laxmi Salt Works is not connected with Karachi and it is a matter for enquiry how it came about.

Mr. Shipp.—As regards production I estimate about 1,20,000 tons per year for the whole of the works.

President.—Which works?

Mr. Shipp.—For all including the undeveloped land.

President.—Altogether it is 1,800 acres.

Mr. Shipp.—Yes.

President.—Of this 800 acres are undeveloped.

Mr. Shipp.—800 acres are under cultivation. They can produce roughly 60,000 tons a year. If you take 1,800 acres and double the present production, it will be 1,20,000 tons.

President.—Why, I can multiply it by 4 or even five. Any body who likes to make an estimate may do so but I am not going to do so. Somebody must tell me that this soil can be used for this purpose. If not, artificial methods must be used. That I am not prepared to discuss.

Mr. Mathias.—How much is the undeveloped area in acres?

Mr. Shipp.—1,400.

Mr. Mathias.—What are the 800 acres that you have been referring to?

Mr. Shipp.—They are the acres which are just now under cultivation.

Mr. Mathias.—Then, the 1,400 acres would be able to produce as much as the 800 acres now under cultivation.

Mr. Shipp.—Yes.

Mr. Mathias.—The undeveloped area has been proved to contain brine.

Mr. Shipp.—Yes.

Dr. Matthai.—Mr. Dunn gives a fairly generous estimate. He says that from 1,800 acres an annual yield of 55 to 65 lacs of maunds may be obtained provided the whole area is continuously worked. That gives you 2,50,000 tons.

President.—Yes, provided the whole area is worked. Can you work the whole area?

Mr. Shipp.—The Central Board of Revenue have asked all applicants to send in their plans. Naturally they must carry out experiments to see whether they are workable. On that we would be able to judge what the production would be.

President.—All I can say is that there is no evidence upon which we can make any reliable estimate.

Dr. Matthai.—I must say that the position is rather embarrassing for a lay man. The geologist puts it at 55 to 65 lakhs of maunds. The Superintendent of Salt (Mr. Clifford) says that the estimate has been understated and that Karachi might produce the whole of the requirements of the Calcutta market.

Mr. Shipp.—That was his opinion.

President.—I daresay that those people interested in the undeveloped land would be able to give us some information on which we could depend. So far as I can see it is not likely that we shall have that information before this enquiry is finished. Mr. Kotwal when do you expect your expert to be able to give us any information?

Mr. Kotwal.—Three months after he has returned.

Dr. Matthai.—Your expert is an engineering expert.

Mr. Kotwal.—Yes.

Dr. Matthai.—He is not a geological expert.

Mr. Kotwal.—No. We have been depending on Mr. Dunn's report to a great extent.

President.—I thought that the people in Karachi were in a desperate hurry to get the enquiry finished, but I find that you have not started. You would take three months after your expert had arrived here. He would undoubtedly take some time to collect the data and submit them in writing.

Mr. Kotwal.—We were not expecting that the Board would come so soon.

President.—Every body knew that the matter was referred to us five months ago.

Mr. Kotwal.—Not in Karachi.

President.—I suppose Karachi reads newspapers like any other place. The question is that we shall not be able to know what the possibilities of this site are, from any person who has really actually tested. Even your expert would not be able to tell us anything more than that he had collected certain information. The information regarding the possibilities of the soil will certainly not be available in Europe.

Mr. Kotwal.—He was working on the site.

President.—The only thing that we can proceed on is the assumption that the site, if worked in its natural conditions may or may not produce this much but it may be possible for this quantity to be raised if artificial beds were used, and I do not see how it is going to help anybody. Mr. Shipp so far as the Government is concerned this is all the literature on the subject.

Mr. Shipp.—Yes.

President.—As my colleague pointed out there are these two experts quarrelling about figures and we do not know what to do between the two.

Dr. Matthai.—Strike an average.

President.—This is all the land that is available. 1,800 acres.

Mr. Shipp.—Yes.

President.—There is no other site.

Mr. Shipp.—None. This is only a measurement by eye. It has not been actually measured.

Mr. Mathias.—You spoke of the undeveloped area as being 1,400 acres apart from the Government Works and Laxmi Works.

Mr. Shipp.—Yes, it has never been actually measured.

Mr. Kotwal.—We have followed the figures of Mr. Dunn.

Mr. Mathias.—1,800 acres includes both the Laxmi Works and the Government Works.

Mr. Shipp.—Yes. There is a portion which Mr. Dunn has not taken into account—south of the Works about 160 acres.

Mr. Mathias.—Aren't there small areas which Grax Limited applied for adjoining the Works?

Mr. Shipp.—Those can hardly be used for pans. You can use them as a secondary condenser or something of that sort.

President.—I daresay that Mr. Dunn went over the ground but it is quite possible that he could not have gone over the whole ground and seen carefully. Therefore we have no means of judging how much of this is really serviceable.

Mr. Shipp.—No.

President.—It is no good quoting the analogy of Government Works and saying that it would be the same as the Government works because it may be different.

Mr. Mathias.—Are all the salt works within the limits of the Port Trust, Karachi?

Mr. Shipp.—They are.

President.—We shall go into this question of undeveloped land as far as it is possible when we examine Edulji Dinshaw's. But so far as your records go, you are not able to give any more information than what is contained here as regards the possibility of the sites.

Mr. Shipp.—No.

President.—Mr. Clifford is not here. Of course Mr. Dunn is there.

Mr. Shipp.—Even Mr. Clifford's idea was to draw brine from the undeveloped area and bring it to the Government Works for evaporation. Probably Mr. Dunn did not examine the question from the point of view of the quality of the soil for making pans.

Dr. Matthai.—I find it rather difficult to believe that a geologist of Mr. Dunn's standing would have made this statement without making some kind of examination of the character of the soil.

Mr. Shipp.—It is a vast area. He was only here for three or four days, and he himself, said distinctly that the times were very unfavourable. He came here to report on the brine supply. Whether he actually examined the ground to see whether the soil was suitable for natural pans there is nothing to show. Paragraph 7 of his report gives the geology of the place.

Dr. Matthai.—A good deal would depend upon the level of the land, as to how you are going to have your condensers, pans and so on. If you could have a condenser on a higher level for instance, it might make a difference to the cost and to the quality of the brine that you might eventually get.

Mr. Shipp.—Quite.

Dr. Matthai.—Mr. Dunn has not gone into that.

Mr. Shipp.—No.

Dr. Matthai.—I am afraid we will have to leave it at that subject to what Edulji Dinshaw has got to say on that question.

Mr. Kotwal.—As regards our examination in view of what you told us yesterday he allowed his technical officer to go away last night.

President.—I am not going to examine him on any technical matter. At present there is not enough information available to examine him on technical aspects, but I shall examine him only on the general question.

Mr. Kotwal.—Yes.

President.—You have given us a statement of costs. I take it that you don't wish to be examined in camera as regards those costs.

Mr. Shipp.—No.

President.—These costs, what do they represent, Mr. Shipp? Are they costs of departmental working?

Mr. Shipp.—Yes.

President.—This is in accordance with new rules prescribed by the Central Board of Revenue, as regards costs.

Mr. Shipp.—No.

President.—Your costs are maintained according to the General instructions of the Central Board of Revenue.

Mr. Shipp.—Yes.

President.—This manufacturing charge of Re. 0-1-9 per maund that is what you pay to the lunaris.

Mr. Shipp.—Yes.

President.—That is merely for their labour.

Mr. Shipp.—Yes.

President.—Now they get As. 1-3 in the same works.

Mr. Shipp.—Yes, by private arrangements.

President.—But they share in the profits on the sales.

Mr. Shipp.—Yes.

President.—How was this As. 1-9 fixed?

Mr. Shipp.—They simply made a petition years ago, long before I joined the department, during the war, on account of the cost of living.

President.—It had no reference to your total costs.

Mr. Shipp.—None.

President.—They simply asked for it and Government felt that it was fair to give them this at As. 1-9 and it was given.

Mr. Shipp.—That is right.

President.—The result of it was that you had to close down afterwards.

Mr. Shipp.—Yes.

President.—Your philanthropic work had to be carried on by a private agency.

Mr. Shipp.—Yes.

President.—Those lunaries are registered lunaris or is it that anybody can come and obtain employment.

Mr. Shipp.—They have settled there. Of course a certain number of them are hereditary lunaris and they have their pans. They have a permanent license for manufacturing salt. Others again—those who have settled there for a number of years are given licenses on a temporary or a yearly basis. These licenses can be renewed or cancelled at the option of the Superintendent.

President.—All that has gone now.

Mr. Shipp.—Yes, so far as actual manufacture is concerned. There are permanent and temporary licenses on account of the agreement with them. Until Government come to a decision whether the land should be leased out or not, the agreement is terminable at a week's notice either way.

Dr. Matthai.—The moon Company practically pays As. 1-9 to lunaris and 5 pies to Government. That is how it works.

Mr. Shipp.—Yes.

Mr. Mathias.—Do they still pay As. 1-9? I thought they paid As. 1-3.

Mr. Shipp.—They had to sell lower on account of the competition of other private companies. That is why they are getting As. 1-3.

President.—Does Government take it over at As. 1-3?

Mr. Shipp.—At As. 1-9.

President.—And sells at 2-2 pies.

Mr. Shipp.—Yes.

Mr. Mathias.—Who gets As. 1-3?

Mr. Shipp.—That is a matter between the lunaris and the Moon Company. The Moon Company buys it at that rate from each individual lunari.

Mr. Mathias.—Then this 1 anna 3 pies applies to the Star Company and not to the Moon Company.

Mr. Shipp.—The lunaris have constituted themselves into the Moon Company for selling purposes.

Mr. Mathias.—They cannot buy it from you at As. 2-2 and sell it at As. 1-3.

Mr. Shipp.—The Moon Company sells it out and the profit is distributed amongst the lunaris.

Mr. Mathias.—It will be a loss each time.

(See written statement subsequently submitted which clears the point.)

President.—5 pies that you take is the equivalent of certain charges which Government incur on their account. Is that the idea?

Mr. Shipp.—Yes.

President.—That includes supervision charges.

Mr. Shipp.—No, maintenance charges only are charged to them. Under maintenance charges come the cost of maintaining the works in repair, water supply and the dispensary. All the rest has been washed out.

President.—What do these lessees pay?

Mr. Shipp.—Do you mean the other private companies?

President.—Yes.

Mr. Shipp.—They pay nothing except the water charges and dispensary charges.

President.—They don't pay 5 pies to you.

Mr. Shipp.—No. They pay only water charges and dispensary charges.

Mr. Mathias.—They practically include the same charges except that they don't pay establishment charges.

Mr. Shipp.—That is right.

Dr. Matthai.—The establishment charges would be about half of 5 pies.

Mr. Shipp.—No.

Mr. Mathias.—What is this establishment.

Mr. Shipp.—It has been called establishment charges, because it includes a number of items. It includes the supervising establishment, interest on capital, maintenance charges, wastage in store, interest on stock, etc.

Mr. Mathias.—What is included in this 5 pies?

Mr. Shipp.—Only maintenance charges, *viz.*, water supply, dispensary charges and repairs.

President.—What I wish to know is that this clause has not yet been settled with the other lessees about the dispensary, water supply, etc.

Mr. Shipp.—As regards the dispensary it has been proposed to have a voluntary contribution from all the works and from the municipality.

President.—Who is going to run it?

Mr. Shipp.—The Municipality will run it.

President.—What about the water supply.

Mr. Shipp.—We have decided to hand it over to the Municipality, so long as they give water free for our staff.

President.—The Municipality won't give them water free.

Mr. Shipp.—They have agreed to that.

President.—To the works?

Mr. Shipp.—The private companies will be charged, but the rate should not be in excess of the present rate.

President.—Is it within the Municipal area?

Mr. Mehta.—Yes, within the Municipality.

President.—If it is within the port, it would be within the municipal limits, but somebody told me that it was under the Local Board.

Mr. Mehta.—No.

President.—You have got two charges—ordinary current repairs and general services and the supervision cost of establishment, *viz.*, 5·13 pies and 5·45 pies respectively. 5·45 pies does not appear in the cost of the lessees at all.

Mr. Shipp.—No.

President.—Therefore their cost really represent a difference of half an anna a maund.

Mr. Shipp.—Yes.

President.—Your costs appear to be higher than theirs, because you have charged the Government Works for a service, which you are supposed to render to the Government Works, but you are not charging the lessees anything so that your real costs would be reduced by that amount. if I were to make them comparable with the costs of the lessees.

Mr. Mathias.—Do not the lessees pay for water?

Mr. Shipp.—Yes, they do.

Mr. Mathias.—They have to maintain their works too.

Mr. Shipp.—Yes.

Mr. Mathias.—It is only the cost of the Dispensary which makes your costs higher.

Mr. Shipp.—Yes.

Mr. Mathias.—Your cost would not be increased by so much as 5 pies; it would be by a very much smaller amount.

Mr. Shipp.—Yes.

Dr. Matthai.—What is the sort of price that you realise for the salt made at Maurypur. Could you not give a general average?

Mr. Shipp.—At Re. 1-9 per maund including the duty. The private companies undersold us. They consider annas 3 as the cost price of salt at Maurypur.

Dr. Matthai.—That is about annas 4 a maund without duty.

Mr. Shipp.—Yes.

President.—At Maurypur they will sell it at annas 8 without duty.

Mr. Shipp.—Yes.

Mr. Mathias.—What is the retail price of salt in the Karachi market?

Mr. Shipp.—I have a file on it. It is about As. 4-6 per maund *ex*-duty.

Mr. Mathias.—Delivered in Karachi?

Mr. Shipp.—Yes.

President.—Is it still sold at Re. 1-9-0?

Mr. Shipp.—Rs. 2-15-0 to Rs. 3-1-0 for a bag containing two maunds.

President.—Are you sure that it is sold at that price?

Mr. Shipp.—Yes.

President.—The consumer here is a very fortunate individual. He never pays very much.

Mr. Shipp.—The retail man sells it at Rs. 5 per bag.

Mr. Mathias.—What is the reason?

Mr. Kirpalani.—For home consumption we pay Rs. 5. The middle man makes his profit.

Mr. Mathias.—What is the reason for that? Isn't there competition between middlemen?

Mr. Kirpalani.—It is a question of unit.

Mr. Mathias.—I don't suppose that anybody buys a bag of salt. It will be sold by the lb. It is sold I think, one anna seer.

Mr. Greenfield.—It used to be annas 2.

President.—Do they sell it here by weight or by measurement?

Mr. Shipp.—By weight.

Dr. Matthai.—That I suppose is the reason why you sell cleaner salt than Bombay.

Mr. Shipp.—We always had a standard and anything below that standard we used to refuse.

President.—Have you been enforcing any particular standard?

Mr. Shipp.—The one laid down in the license.

President.—Have you ever found a case in which you have had to condemn the salt?

Mr. Shipp.—Yes, recently we asked the company to withhold some salt from the Market.

President.—Which market?

Mr. Shipp.—The Sind Market.

President.—There are some countries in which they are more particular about export than what is consumed in the country, because that spoils the name of the country.

Mr. Shipp.—The Chemical impurities do not affect the colour. We cannot say off hand how much magnesium and calcium salts are contained in salt. We cannot hold up salt indefinitely. If we are certain, we can hold

it up. We must have a chemist to examine it within 24 hours. Then of course it could be done.

President.—You would agree that if this went on for a long time, the salt might deteriorate—I mean if you do not keep any supervision.

Mr. Shipp.—Quite.

President.—How have you calculated your interest on capital expenditure in this 8·10 pies?

Mr. Shipp.—Prior to 1917-18 it was 3 per cent., that is the P. W. D. rate. Subsequent to that it was 6 per cent.

President.—On what capitalisation is that?

Mr. Shipp.—These are all P. W. D. figures. What the works cost Government is as follows:—

	Rs.
Works upto 1916-17	24,447
Works 1917-18 to 1925-26	2,67,100
Dispensary building 1927	17,271
TOTAL .	3,08,818

Mr. Mathias.—That is the Laxmi portion?

Mr. Shipp.—The whole works including the roads pipe lines, etc.

President.—Is Laxmi Works part of the Government Works?

Mr. Shipp.—Yes.

President.—It used to be so.

Mr. Shipp.—In calculating the figures interest has been omitted. Of this Rs. 35,153 represent the cost of works connected with the extension which have now been leased out to Messrs. Jaynarain Gourishanker, while the pipe line and road costing respectively Rs. 1,59,929 and Rs. 49,777 and dispensary serve the purpose of all the salt works.

President.—You have shown here a capitalisation of Rs. 2,76,000. They say 2¾ lakhs. That was the capitalisation of the Moon Company and the Laxmi Works.

Mr. Shipp.—Yes including road and pipe line.

President.—How much of it belongs to the Moon Company and how much to the Laxmi Works?

Mr. Shipp.—You have to deduct Rs. 35,153 which represent the cost of Laxmi Works.

President.—What consideration did Government get for giving up this property?

Mr. Shipp.—Nothing at all.

President.—It is a gift of property.

Mr. Shipp.—Yes.

President.—How long ago were these works completed?

Mr. Shipp.—1917-18.

President.—How many years did you work?

Mr. Shipp.—We worked about three years. When Sambhar was in flood, we worked that area for about 3 years. Then we closed down and opened the works again when stocks went down. When we opened in 1924 we opened only one half of the new works.

Mr. Mathias.—The price of salt in Bengal was very high in 1926-27.

Mr. Shipp.—We had to maintain 2 lakhs of maunds in stock. The stocks had gone down at the time and we wanted to replenish.

President.—Was there any valuation made of the works when it was handed over to the proprietors of the Laxmi Works?

Mr. Shipp.—No valuation was made.

President.—They might have spent Rs. 40,000 and it might not be worth anything. If you go on adding whatever you have spent on your property and call it the value of the property: it would not be right. When you charge depreciation, you must charge on the original cost.

Mr. Shipp.—It all depends on the P. W. D. As regards the question of depreciation, they assess it according to certain rules.

President.—What I am suggesting is this: your costs were so high because you charged interest on capital far in excess of what you should have charged. I have no means of knowing that the works were not closed under a wrong impression.

Mr. Shipp.—We never charged depreciation.

President.—You take a building you put it up at Rs. 50,000 you go on repairing and after 25 years you cannot say that the value of the building has been increased by the amount of repairs that you have done.

Mr. Shipp.—I do not know how it has been worked.

President.—Before Government closed the works, one would imagine, they should have found out whether the works were really unremunerative. There is nothing to suggest that the works were really unremunerative. But there is one redeeming feature of Government business and that is it has been closed down. Whether it was for a right reason or a wrong reason I do not know. I am not in a position to say that the Government was not losing. It is a good thing however, that Government stopped doing business. Obviously Government have a very expensive machinery and so it must cost more. As to whether they were losing or not, there is very little evidence as far as I can see.

Mr. Shipp.—They were not losing. They were recovering all costs from the public as the selling price.

President.—You could not continue because these people were underselling you. As the business has been closed down, it is no use going into past history. The only thing that still requires explanation is how it was that Government gave this land practically to all the lessees without taking anything from them. In some cases property was given away and in other cases the land was surrendered.

What is your total establishment now? I mean the total cost under the new system.

Mr. Shipp.—Rs. 30,000 a year.

Mr. Mathias.—Is it a charge against duty?

Mr. Shipp.—Yes.

Mr. Mathias.—That would include the whole of your establishment.

Mr. Shipp.—Yes at Maurypur, not my staff at Head Quarters.

Mr. Mathias.—The preventive establishment is not much there.

Mr. Shipp.—I have about 61 peons, 4 Assistant Inspectors, 6 clerks and one Inspector.

Mr. Mathias.—They will have to be kept in any case.

Mr. Shipp.—Probably they will have to be increased.

Mr. Mathias.—That is purely for the protection of Government Revenue.

Mr. Shipp.—Yes.

Mr. Mathias.—Out of this how much do you recover?

Mr. Shipp.—Nothing at all from costs. It is set off against duty.

Mr. Mathias.—You don't recover anything from the licensee.

Mr. Shipp.—No.

President.—Except this small sum from the lunaris.

Mr. Shipp.—Not even from the lunaris.

Mr. Mathias.—Could you give us an idea of the lay out in acreage?

Mr. Shipp.—It was about 90 acres before 1917-18. The cost was Rs. 24,447. That included sluices, digging of trenches and the construction of bunds.

Mr. Mathias.—It did not include the wells and pans.

Mr. Shipp.—No.

Mr. Mathias.—What would be the sum included for wells and pans?

Mr. Shipp.—We have no figures. We had a claim from the lunaris which was not upheld. I don't think you can depend on that very much. I think Rs. 30 to Rs. 40 would be ample for a well and about Rs. 16 for a pan.

President.—Do you know anything about the Dharwari deposits?

Mr. Shipp.—Not much.

President.—Who is in charge of it?

Mr. Shipp.—Mr. Kirkwood.

President.—Does he know anything about this?

Mr. Shipp.—The file is with him.

President.—Where is he now?

Mr. Shipp.—He is on tour.

President.—When is he expected?

Mr. Shipp.—Not before X'mas.

President.—I would like to know a little about it, because it seems to contain a lot of salt which is really in the natural state apparently from the brine. There is only one paragraph about it in Mr. Strathie's book. This is what he says "About 9" below the surface brine appears, and a few inches deeper are found solid masses of pure salt, steeped in 25° B. The salt is similar to the Maurypur Salt and contains as much as 99·3 per cent. of sodium chloride." We want to know something more about it as to what the supplies are, where it is, etc.

Mr. Shipp.—I shall write to the Superintendent of Salt and Excise and ask for a report.

Dr. Matthai.—The interesting point about it is that though the average production is about half a lakh, during the war years they raised as much as 5,60,000 maunds.

Mr. Shipp.—It could supply the whole of India. That was the report I read some years ago.

President.—We would like to know more about it.

Mr. Shipp.—If you wish it I can write to the Superintendent of Salt and Excise and ask for a report.

President.—Does he carry his records with him?

Mr. Shipp.—He is just now going to examine this question.

President.—Where is he at the present moment?

Mr. Shipp.—Probably somewhere in Lower Sind.

Mr. Mathias.—How far is this place from Sambhar?

Mr. Shipp.—Midway between Hyderabad (Sind) and Sambhar.

Mr. Mathias.—How many miles?

Mr. Shipp.—About 100 miles from Hyderabad.

Dr. Matthai.—It is about 60 miles from the nearest railway station.

Mr. Shipp.—Only 20 miles.

Mr. Mathias.—Is it Government property?

Mr. Shipp.—Yes.

President.—Is there any geological information about this place?

Mr. Shipp.—Yes.

President.—Is it within the Jodhpur territory or within British territory?

Mr. Shipp.—It is in British territory.

President.—Will it be about 200 miles from Pachbhadra?

Mr. Shipp.—About that.

President.—Any how we want some more information about this. We may have to mention it in our report. We want to know how much of it is available. Have you any idea as to the rail freight from there to Calcutta? Did you ever send it to Calcutta?

Mr. Shipp.—No but Northern India did take some salt from us.

President.—I think we will try and get information from the Geological department if they have got it. If not you had better tell Mr. Kirkwood that he must collect this information for us and if necessary he will have to come to Bombay to be examined on this point. The points on which we require information are how much salt is available. Whether any estimate has been made and so on.

Mr. Shipp.—Yes.

President.—How much are you paying for this salt?

Mr. Shipp.—5 pies for excavation, 4 pies for storage and establishment charges As. 2-2. We issue only 20,000 maunds a year.

President.—The cost of extraction is only 5 pies, is it?

Mr. Shipp.—Yes, if we don't store it.



KARACHI PORT TRUST.

Oral evidence of Messrs. J. B. S. THUBRON, C.I.E., W. P. SHEPHERD-BARRON, M.I.C.E., H. H. HOOD, Collector of Customs, Karachi, recorded on Monday, the 25th November 1929.

(Representatives of all the Salt Works in Karachi were also present.)

President.—Gentlemen, since we last met, we have decided to stay on here until Friday and we propose to examine most of the applicants before we go, so that it may not be necessary for them to come to Calcutta or Bombay. Of course, very often we have to examine applicants more than once but if we get sufficient material here we may not trouble you further. It does not necessarily follow that you may not have to come again if afterwards we find the materials inadequate. Would it be convenient for you Mr. Hallifax to be examined on Wednesday?

Mr. Hallifax.—Yes.

President.—To-morrow we will examine Mr. Shipp.

Mr. Shipp.—Yes.

President.—This morning we are examining the Chairman of the Port Trust and other officers with regard to the question of transport, and you may listen to what they have to say. Of course, we do not allow any cross-questioning. If you want to make any statements after hearing the Port Trustees we should be prepared to consider them and then we will put such questions as may be necessary. The procedure of the Board does not permit any questions to be put by the applicants to the witnesses. But you would be allowed to make a statement on any point that may arise in the course of the examination. You will have an opportunity again, when you are examined, to state your case or you can state it in writing later on. But this morning we will put certain questions to the Port Trustees and you can hear the answers which they give. If you have anything to say, you can say it afterwards—to-morrow or at any subsequent stage. As regards the question of local transport I understand that there are two main points. There are two works—The Star Salt Manufacturing Company and Grax Limited—which are on the other side of the Government works. Then, there are the Government works and the Moon Works and the Luxmi Works, and then there is also the undeveloped piece of land about which no decision has so far been reached. The Star Works and Grax Limited naturally want an outlet to the sea from a point nearest to their works and the Government works want the same. We really do not know what is going to happen as regards the undeveloped land yet. Though we are prepared to go into this question I may point out that until we know the lay out of the new works it is very difficult for us to say which would be the best point for them at which to load their salt on to barges. It all depends on where the crushing mill is placed. If it is placed far away from the present Government pier they may find that this Government pier, even if the Port Trustees undertook to enlarge and improve it, might not be at all useful. I think it is obvious that there is one point anyhow where all the salt must be taken and that is the crushing mill. You may sell uncrushed salt but there is not very much demand for it. Therefore the bulk of the salt has to be crushed. More or less the crushing mill would be the determining factor as regards the point from which you are going to load. The crushing mill must also depend upon the lay out of the works and you cannot have it in a place which is inaccessible to any portion of the works. Though we are prepared to go into this question I don't think that any practical purpose would be served by insisting on this particular site as being the best suited for transport.

Mr. Thubron.—I think so.

Mr. Cargill.—We sent an expert to Europe on our behalf and I was promised by Sir George Schuster that there would be nothing done regarding the allotment of any new land until the scheme was placed in front of him. What I want to know is whether this Board overrides what Sir George Schuster said.

President.—We are not concerned with Sir George Schuster now. He could do what he liked. We will do our part of the enquiry. If you have anything to say to Sir George Schuster, you are at perfect liberty to do so. What I am now concerned with is this: whether it would serve any practical purpose at this stage to determine what would be the best site for a jetty or a pier for the transport of this salt from the works to the ship. Of course, the Port Trustees might say generally that as far as possible they would meet the requirements of the industry. That is about all that they can say at present because really they do not know any more than we do where the starting point ought to be. Subject to that we will investigate these two questions: first of all the transport facilities for the Star Works and Grax Limited and the transport facilities for the Government works as they exist at present and how far the transport facilities may be made available for the undeveloped land I am not prepared to go into because I do not know what is going to be done with the undeveloped land. The whole thing is not that we do not wish to go into it but that we have not got the materials before us.

Mr. Thubron.—Our latest ideas on the subject are that the best central place is the natural channel from Maurypur.

President.—That would be irrespective of how the undeveloped land is afterwards laid out.

Mr. Thubron.—We do not know. They want to take up some flooded land which we are not prepared to give up.

President.—We will assume for the moment that if and when this undeveloped land is laid out the proper starting point would be the Government jetty. That is all we can do at present.

Mr. Thubron.—Yes.

President.—It is only on that footing we can start now.

Mr. Mehta.—Both the Star Works and Grax have sunk Rs. 17 lakhs capital. Grax have already put up their crushing plant. My crushing plant is lying in boxes: May I submit in this connection that Karachi is an extended city from one end to the other. There may be several stations. If you accept the principle of one jetty, it may not do.

President.—We shall go into both those aspects.

Dr. Matthai.—Your statement was that taking the works as they are laid out more or less at present you considered the Government pier as the best point for development.

Mr. Thubron.—That is the latest scheme put up by Mr. Downie and I think that on the whole that is the best thing to do.

Mr. Mathias.—That is to say, if sufficient improvements were made, you would be able to handle the maximum amount there as compared with any other scheme which has been put forward so far.

Mr. Thubron.—Yes.

President.—Mr. Greenfield, your claim is that you ought to be able to load into barges from your jetty at all times. At present, you are confined to loading at high tides.

Mr. Greenfield.—Yes.

Mr. Mehta.—That is our position.

President.—Then you suggest that these facilities are to be made available to you at all times—low tide as well as high tide.

Mr. Greenfield.—Yes.

President.—You have made, I think, three alternative proposals. One is the dredging of the channel. Is that right?

Mr. Hallifax.—Yes.

President.—The second is the ropeway.

Mr. Hallifax.—Yes.

President.—The third is the prolongation of the jetty into deeper waters I will take the opinion of the Port Trustees just on these three questions.

Mr. Hallifax.—We have withdrawn the question of the channel.

Dr. Matthai.—From the stone bunder at present without any embankment into the deep water, working only at high tide, how much could you ship? What is the total capacity?

Mr. Greenfield.—About 100 tons a day, if we are to use the country craft. That is counting all the year round. But you must remember tides. When we have the tide, we cannot get steamers.

Mr. Mathias.—Would it be double the amount if you used barges?

Mr. Greenfield.—It would be of considerable help.

Mr. Mathias.—Can you double it?

Mr. Greenfield.—Yes. We might do 250 tons. That is our record so far. May I say in this connection that we have received a letter from the Central Board of Revenue that the application has been referred to the Tariff Board.

President.—This is the first time that we hear of it. We take a much longer time than you do. Mr. Mehta still insists upon having the channel. We will dispose of that first. The idea of that channel is to enable you to load direct into the ship.

Mr. Mehta.—Yes.

President.—In mid stream?

Mr. Mehta.—Yes.

President.—Mr. Thubron, what have you got to say to this?

Mr. Thubron.—We as Port Trustees cannot consider as a satisfactory scheme to dredge it, because we think that it will soon silt up.

President.—Could you give us an idea about the cost?

Mr. Thubron.—It would cost about Rs. 60,000.

Mr. Mathias.—Have you any idea as to how soon it would silt up?

Mr. Shepherd-Barron.—We cannot really say. We have already spent Rs. 30,000 without result.

Mr. Mathias.—That might be a recurring charge—Rs. 60,000 every year.

Mr. Shepherd-Barron.—It is an unknown quantity.

President.—I take it that it cannot exceed Rs. 60,000 a year.

Mr. Thubron.—It is improbable.

Mr. Shepherd-Barron.—It might fill in even twice a year: one cannot say.

President.—I think that it is rather a technical matter. Perhaps, you might be able to send us a note on this point as to what the difficulties are, and what the costs would be and so on. But I understand that your general view is that even if you spent Rs. 60,000 on it, the cost of maintenance is an entirely uncertain factor which you cannot assess at the present moment.

Mr. Thubron.—The Government of India asked for a figure and we could not give it. It might be Rs. 1,20,000 if it filled in twice a year.

President.—On points like this we cannot give any opinion. We must accept the opinions of experts. If the opinion of the Port Trust authorities is not accepted, then it is for the applicants to produce other experts against you and to do what they can. So far as we are concerned I do not think

that this Board will be competent to give an opinion on a question like that, so that it is left entirely to the applicants and to yourselves to fight it out. We are only concerned with knowing what the difficulties are.

Mr. Mehta.—May I suggest that the Government of India could have experts also?

President.—We generally do not do it.

Mr. Mehta.—We shall do it ourselves.

Mr. Greenfield.—The whole industry depends on the question of transport. We cannot expand now. We cannot get the salt out at present.

President.—I can tell you frankly that at present so far we are concerned we cannot go beyond the opinion of the authorities who are in charge of this form of transport and if they tell us that they cannot, we are not in a position to give any contrary opinion, and we have not got the facilities for saying so.

Mr. Mehta.—You as Chairman of the Tariff Board can ask the Port authorities what experiments have been made and what steps have been taken to find out that such a channel cannot be dredged, and maintained.

President.—The question is not that the channel cannot be made. The question is: what experiments can you make as regards silting? The difficulty is that it will soon silt up. I do not think that the Board can go beyond this. But we cannot preclude you from taking any advice or any step you like.

Mr. Hallifax.—We have withdrawn the question regarding the channel.

President.—This Board is not a technical body at regards channels. We must go by the opinion of experts who appear before us. At the same time I must say that the Board cannot decide between two experts supposing you produce an expert who gives a contrary opinion.

Mr. Mehta.—Who will decide it?

President.—It is a question between you, the Port Trust and the Government of India. As regards the second point, *viz.*, the ropeway, I think that proposal is put forward by Grax Limited, as well as by Mr. Mehta.

Mr. Hallifax.—Yes.

Mr. Mehta.—Yes.

President.—What is the view of the Port Trustees as regards that? The ropeway would be from the jetty to the pier or to the ship.

Mr. Greenfield.—We want it to the ship.

President.—That means that the ship has always got to be in one particular place. Is not that so?

Mr. Thubron.—I don't think that the Port Trustees would agree to take the ropeway to the deep water. The ropeway can only work from one central place. It means double handling.

President.—The point is from the Port's point of view a ropeway would necessitate an allocation of one particular berth for the loading of salt.

Mr. Thubron.—If they wanted to load the ship immediately it came in, or if they were prepared to wait for the berth, I have no objection. I don't think that the Port Commissioners would ever guarantee that a berth would be reserved for the loading of salt. Here I am speaking as Chairman and not for the Port Trust.

President.—It certainly means that this one particular berth should be available to the salt industry whenever it requires.

Mr. Thubron.—Yes.

President.—That implies that it cannot be used for any other purpose at any other time.

Mr. Mathias.—Does that mean a general restriction of shipping facilities for other commodities?

Mr. Thubron.—Yes. If they want a berth to be reserved for salt, they will want it in the west wharf. All the berths there are newest berths fully equipped with cranes and other things and if one of the berths there is reserved for salt, it would be idle for most of the time.

Dr. Matthai.—Unless some arrangement was made for storing salt at the wharf end.

Mr. Thubron.—Yes, if they could store it, but that would mean double handling. I don't think that the Port Commissioners would give up one of the new berths fully equipped to the salt industry.

Mr. Mathias.—Supposing Grax Limited were prepared to put up the necessary storage facilities would there be any site available?

Mr. Thubron.—I rather imagine that they could get a site behind the wharf. It would mean that they would have to have overhead transport.

Mr. Mathias.—Not necessarily that, they might possibly carry in head loads as they do in the case of barges.

Mr. Thubron.—It would mean putting it into lighters and taking it to the steamer.

President.—It means the same thing over again.

Mr. Mathias.—It means double handling.

Mr. Hallifax.—There is no space to store 5,000 tons of salt.

President.—Mr. Mehta, you will have an opportunity to state your views later on when you are examined.

Mr. Mehta.—We have not gone into the question of construction of a ropeway.

Dr. Matthai.—There is a suggestion made to us. One of the objections to your ropeways is the possibility of Karachi being developed into a hydro-plane base.

Mr. Thubron.—The ropeway will be kept to the west wharf side.

Mr. Mathias.—In any case there is plenty of space available for a sea plane base.

Mr. Thubron.—Yes.

Mr. Mathias.—There is no necessity to reserve this small space for sea planes.

Mr. Thubron.—There is plenty of area available.

Mr. Mathias.—As to the cost of the ropeway you have no idea, I imagine.

Mr. Thubron.—We have no idea. We have not gone into it at all.

President.—The point is supposing there is no technical difficulty in this and we recommended that a ropeway ought to be established, the question would arise who is to pay for it. It all depends where the duties of the Port Trust begin.

Mr. Thubron.—They do not begin at the Government Salt Works.

President.—The whole point is whoever uses your port is entitled to claim facilities within the port itself, once it gets into your property. He may say "I have handed it over to the Port authorities who must now give me facilities to put it on board". The whole question is where your liabilities begin and end. It all depends on how you treat it.

Mr. Thubron.—The Port Trust would probably recommend a channel in preference to a ropeway: in my opinion a ropeway should be a private enterprise.

President.—It is over your property.

Mr. Thubron.—Yes.

President.—Supposing I wanted to put a railway siding inside your port to enable my goods to go in, you would object.

Mr. Thubron.—We would give you permission.

President.—Or you will say " no, I will give you my siding but I will charge you for it ".

Mr. Thubron.—That is what we have done in the past.

President.—I just want to know what the position is. How will you treat the ropeway—as being part of your works or being part of the manufacturers' works?

Mr. Thubron.—Part of the manufacturers' works certainly.

Mr. Mathias.—The actual bay over which the ropeway would run is under the control of the port authorities.

Mr. Thubron.—That is in our area.

Mr. Mathias.—Would the foundations of Grax site be in your area or not?

Mr. Thubron.—The foundations would be on the Government land.

Mr. Mathias.—Partly on the Government land and partly within the Port Trust area.

Mr. Thubron.—Yes.

Mr. Mathias.—Supposing the port authorities agreed to put down an aerial ropeway, I suppose that they would charge something for it.

Mr. Thubron.—They would charge so much a ton as they do for the use of the railway.

Mr. Mathias.—That would depend on the cost of the ropeway.

Mr. Thubron.—Yes.

Mr. Mathias.—But you could not give us any idea as to the cost.

Mr. Thubron.—No, we have not gone into it.

President.—It is not a question really of any great importance unless we recommended the ropeway as the best way of dealing with it. The question then arises whether the port ought to provide for it in the same way as they do in the case of railways. The goods come from up-country from the main line and then they meet the port. From that point the port gives facilities for the goods to be shipped. In the same way, people can say " here is your port; this is your property. I will bring it as far as your boundary and after that you must give us facilities to transport it to the ship ". It is possible to put the case that way.

Mr. Thubron.—I see your point.

President.—In that case, the Port Commissioners might say " if we are going to get sufficient traffic, we will do it ".

Mr. Thubron.—We will do it if we are going to get sufficient traffic.

President.—Provided there are no technical difficulties. Or you might say " we are not going to do it because that is not our liability ". You must consider this point and let us know.

Mr. Thubron.—I think we had better consider it and let you know.

President.—It is a point which is well worth looking into as to whose duty it is to construct this. I am not expressing any opinion but I am only suggesting to you that it is a point which might require consideration because it applies to every other port. It will also apply to the Government jetty. Where the liability of the port begins—that is the whole thing.

Dr. Matthai.—Your opinion tentatively is that it will depend on how far it would be a revenue paying proposition.

Mr. Thubron.—As far as we are concerned, if it is a revenue paying proposition, we might take it up straightaway.

Mr. Mathias.—That would entirely depend on the output of Grax and the Star Works.

Mr. Thubron.—Yes.

Mr. Mathias.—That again depends on the allocation of the undeveloped land to a large extent.

Mr. Thubron.—So it appears.

President.—As regards the ropeway, I don't think that we can go any further.

Mr. Mehta.—If the salt manufacturers themselves put up the ropeway, what would be the wharfage charges? Would we have to pay the same as now supposing Grax Limited and ourselves put up the ropeway.

President.—That is a point which the Chairman might take into consideration.

Mr. Thubron.—That is a point which the Board will decide.

President.—The whole point is that apparently you charge a certain amount of wharfage—about 5 annas a ton.

Mr. Thubron.—Yes.

President.—5 annas a ton represents some service rendered by you. In this case they contend that if they construct the ropeway, why should they pay you five annas?

Mr. Thubron.—I shall discuss that point in the note which I have promised.

President.—But you see there is the difficulty of dealing with the traffic at the other end. On that, the Port Trust alone can give any opinion. The question of costs and other things can be solved. After all, it is not going to mean a very big amount. If you find afterwards that it may require additional handling and storing, that would be a very strong reason against it.

Mr. Mehta.—Yes.

President.—It does seem to me that you cannot take the ropeway into the mid-stream and load it from there. You can only take it either to the storage ground or they might give you one berth permanently.

Mr. Mehta.—The Oil Companies have special berths.

Mr. Thubron.—That is according to the law.

President.—Oil Companies are more powerful than Governments.

Mr. Hood.—May I suggest for the consideration of the Board that the one dominating point in regard to the ropeway as compared with the transport of salt by boats would be the rapidity with which salt could be put on board the ship from the ropeway.

President.—That is perfectly true. If you can load direct from the ropeskip into the ship, then no question would arise, but obviously you cannot do it. Therefore it has got to be taken into some wharf, and unless this wharf is always at your disposal, the ropeway practically implies that you have to store it at a point and then re-load it into the barges and then put it on board the ship. It would redouble your cost.

Mr. Greenfield.—We have given a scheme of ropeway ourselves. It does not need any particular wharf or any special berth; nor does it involve any storage. It takes the salt straight from one site to the ship's hold.

President.—Haven't you followed the discussion? That could be done provided a special berth is placed at your disposal.

Mr. Greenfield.—It does not require any special berth.

President.—He says that it does require.

Mr. Greenfield.—It does not.

Mr. Thubron.—I think that he is talking of mooring in mid-stream.

Dr. Matthai.—Let me understand your point. Your ropeway would end in mid-stream.

Mr. Greenfield.—I would not say mid-stream. We propose to run a ropeway to a place which is at the extreme end of the sandbank. The ropeway itself requires a terminal. The steamer can go right alongside the ropeway terminal and take the salt.

Dr. Matthai.—Where does it terminate?

Mr. Greenfield.—In the deep waters.

President.—It means that this ropeway would terminate in the deep waters.

Mr. Thubron.—I do not know anything about that.

President.—There has to be some structure at the end to support the ropeway.

Mr. Greenfield.—Some structure of steel.

President.—The Port Trust would have something to say about that.

Mr. Mathias.—Even if you took it to the deep water, you still would have difficulty as regards berth.

Mr. Greenfield.—No.

Mr. Thubron.—We will examine this scheme.

President.—I think there is no hurry to consider this. You had better take time to consider it. If Mr. Greenfield would explain to the Chairman of the Port Trust what the scheme was, then the latter could see whether there were any engineering difficulties. Then, he would kindly let us have an opinion of the Port Trust as a whole.

Mr. Thubron.—Unless we have something definite, we cannot give any opinion.

Mr. Mathias.—Mr. Greenfield, at present you have no estimates and you have not taken any opinion of any expert.

Mr. Greenfield.—No, we have not got any estimates. We have had correspondence on the subject and we have gathered a great deal of information. So far as we know, there is no engineering difficulty.

Mr. Mathias.—The grounds have not been inspected by engineers.

Mr. Greenfield.—No.

President.—There is nothing before us to go upon at this stage. Of course, a ropeway can be constructed anywhere. What are we to consider? We have got to take the opinion of the Port Commissioners who are after all the people ultimately responsible. There is no scheme which we can just now put before the Port Commissioners. Anybody would admit at once that a ropeway can be constructed, but that does not help us.

Mr. Greenfield.—We will submit a scheme with pleasure to the Port Commissioners.

President.—The thing to do is to put forward a scheme as best you can. Supposing you were to be made responsible for putting it through you must give them the estimated cost and then I daresay that the Port Commissioners would oblige us with their opinion and we can then say whether it is a feasible scheme or not. That is all we can do.

Mr. Thubron.—We can certainly give our opinion on a definite scheme.

President.—Now we shall go into the question of transport. It is just as well to be clear as to what we are doing. Let us take the third scheme, *i.e.*, the prolongation of the jetty.

Dr. Matthai.—That is the stone bunder.

Mr. Mehta.—Yes.

President.—As regards that, I think that Mr. Greenfield has stated that it is a matter of 4,000 feet.

Mr. Greenfield.—Yes.

President.—Can you give us a rough estimate whether that is first of all feasible and secondly how much it would cost.

Mr. Shepherd-Barron.—I would have to go into that in detail. It means at least a long wall 15 or 16 feet high at the lower end and protected by stone on both sides. It is very exposed during the monsoon at high tide. It should be a very heavy structure. It is not in any case a cheap scheme.

Mr. Mathias.—Is there any technical objection to it such as that it might silt up any port, land or creek.

Mr Shepherd-Barron.—I don't think so. The only technical objection is that we do not know what the effect of the flood would be.

Mr. Mathias.—Would it hold up the silt or would it silt at all?

Mr. Shepherd-Barron.—Unless we have made very careful current observations which we have not done we cannot say. I don't think that there would be any tendency of silting.

President.—The main thing to do is to find out what it is going to cost, and whether it is worth constructing.

Mr. Shepherd-Barron.—Yes.

President.—Then, we have to see what the amount of the traffic will be.

Mr. Shepherd-Barron.—Any structure about three quarters of a mile long carried over a muddy shore is bound to be very expensive in any case.

Mr. Mathias.—Could you mention a sort of minimum figure for it?

Mr. Shepehrd-Barron.—No, we have to go into it in detail.

Mr. Mathias.—You might say roughly not less than Rs. 10 lakhs would be required.

Mr. Shepherd-Barron.—It is a question of transporting stone and dumping it there.

President.—This is going to be a sort of chronic trouble to the port and it is much better that the whole thing is gone into and a decision arrive at. Will you write a short note for us? We do not want you to go to the extent of getting out specifications but we want only a general idea as to what it would cost and what purpose would be served if that expenditure were undertaken.

Mr. Thubron.—We could have that taken out roughly.

President.—You might say what the general objections are from your point of view.

Mr. Thubron.—Yes.

Mr. Mathias.—If this was constructed by the Port Trust I suppose some interest charges would have to be met.

Mr. Thubron.—They would have to be recovered from the salt industry unless the Government of India were prepared to guarantee.

Mr. Mathias.—Unless the Government of India were prepared to pay a bounty to these particular works.

Mr. Thubron.—The Port Trusts are not speculators. We are not going to construct works and see whether we are going to get a return or not.

President.—Mr. Greenfield, supposing you were to work this area only which you have got now and Mr. Mehta also were to work his land without getting any additional land, what traffic would the Port Commissioners get? I think that you must give them some idea.

Mr. Greenfield.—We can give 6,000 tons a month.

President.—Is not that a very generous estimate?

Mr. Greenfield.—No.

Mr. Thubron.—If we knew that we were going to get that, there would be no trouble.

President.—Supposing you are to undertake this, give us the quantity of traffic that would make the proposition attractive to the port, so that we may know the liability of the Government and the manufacturers.

Mr. Thubron.—At the present rate of wharfage?

President.—Yes, or whatever you may propose to charge.

Mr. Mehta.—I can say for my part that I can guarantee about 25,000 tons a year.

Mr. Mathias.—If they are going to guarantee 25,000 tons, they would be charged whether they are able to send that quantity or not.

Mr. Greenfield.—We will guarantee 50,000 tons.

President.—If you give us that figure we may be able to do without the estimate.

Mr. Greenfield.—You must give us of course time to develop.

President.—The Port Trust may insist on your paying from the very beginning.

Mr. Greenfield.—That would be a hardship.

President.—What you have got to say is this: what would induce you to undertake the project which would make it economical from your point of view.

Mr. Thubron.—I have said that 45,000 tons a year would give us a return on our outlay.

Mr. Mathias.—For constructing this ¾th mile bund?

Mr. Thubron.—No.

Mr. Mathias.—We are now talking about the bund.

President.—That was as regards the depending of the channel. You can give us for all the projects and you can say that you prefer this particular project to the others.

Mr. Thubron.—Yes.

President.—That disposes of this part of the question. Now we have got to consider the other questions namely the Government pier. What is the present output of the Moon Works?

Mr. Mehta.—1,000 tons a month.

President.—What about Laxmi Works?

Mr. Chimandas.—1,000 tons a month.

President.—Have you actually produced it? What is your actual production?

Mr. Chimandas.—We have come to about 800 tons a month.

President.—Is that the average per mensem.

Mr. Chimandas.—I have said that we will be able to produce about 3½ lakhs of maunds a year.

President.—I know that you will be able to produce that, but what I want to know is your actual production.

Mr. Chimandas.—About 800 tons a month.

President.—I take it that the present Government pier is sufficient to handle this traffic.

Mr. Thubron.—I have not gone into the question in detail.

Mr. Hood.—I think that it would be adequate, with a little deepening of the channel.

President.—As far as I can understand it, the proposal is this: supposing you are not able to provide special facilities for the Star Works and Grax Limited, the idea is that all of them must use this.

Mr. Thubron.—Do you mean the proposal for making the Government pier at Maurypur a central point.

President.—Yes. Mr. Greenfield says that he is going to produce 50,000 tons, Mr. Mehta 25,000 tons and the Laxmi Works about 20,000 tons. That is about 100,000 tons a year on the present basis. Of course, when the other undeveloped site is laid out, it would mean, perhaps, 100,000 tons—I do not know exactly what it may be. The whole point is in order first of all to deal with this 100,000 tons—if these estimates are correct—you will have to carry out some improvements.

Mr. Thubron.—The channel will have to be deepened.

President.—Yes, and there will have to be more berth accommodation for the lighters.

Mr. Thubron.—Yes.

President.—That I understand you will be prepared to do.

Mr. Thubron.—We will certainly be prepared to do that if the Board can foresee that we are going to get 100,000 tons.

President.—Supposing the other site is also developed, how much is it going to produce?

Mr. Cargill.—We are not in a position to say anything definite. We have engaged Mr. Bunting who is the recognised salt expert. He has visited other salt works in Europe. We are now awaiting his report.

Dr. Matthai.—When do you expect him back?

Mr. Cargill.—He is due back now.

Dr. Matthai.—What is the distance from your works to the Government pier?

Mr. Mehta.—3½ miles.

President.—What is your objection to the using of the jetty?

Mr. Mehta.—As long as our salt is carried and as long as our costs come to the same thing we do not mind. If we are to pay anything extra, it would be impossible.

President.—That I understand. But the whole point is this. The whole question of transport might be taken together, that is to say supposing the Port Commissioners have got 100,000 tons of additional traffic from his jetty, it is not impossible to come to an arrangement by which this transport from the works to the jetty might be undertaken by you or by Government. In that case there will be no additional cost so far as you are concerned because you will have to have inter-communication in the works and you ought to be able to deliver the salt to the Port Commissioners, or whatever authority it is, near your boundary and from there it would be taken by the transporting authority—whether it is the port, Government or anybody else. In that case, would you still have objection to using it?

Mr. Mehta.—No.

Mr. Greenfield.—There will be no objection so long as we get equal treatment.

President.—In this world we can never be satisfied that we are getting equal treatment. You will be charged these costs as if it was from the wharf itself because after all it is not a big matter provided you deliver your salt to the transporting authority within the boundary of your works, that is to say, on the nearer side to the jetty. But if you deliver it on the other side, the Port Commissioners would not take it. Is there any objection to this?

Mr. Hallifax.—Supposing we have the crushing plant at the wrong end?

President.—You cannot have everything in your own way.

Mr. Greenfield.—We would like it.

President.—I know you would. But it is a very small matter.

Mr. Greenfield.—The difference in costs won't be more than an anna, but it is a very big item in salt.

Mr. Mathias.—Would it be an impracticable proposition to suggest that if the port authorities undertook the construction or the reconstruction of the Government pier they would also undertake the transportation of salt from all the works and charge on all round rate to each manufacturer of salt?

Mr. Thubron.—That would be the best way to do it, but I don't suppose that we would be able to do it. Our own railway is managed by the North Western Railway.

Mr. Mathias.—Whatever authority did it, they would charge a flat rate on the delivery basis. All would be charged the same rate whatever the load was.

President.—Would that meet your objection? Whatever the distance, everybody would be charged the same rate. Of course the people nearer might object. But if you want to make a business arrangement somebody has got to give in, and it does seem to me that it is a very small matter.

Mr. Hallifax.—We should not object to a flat rate.

President.—That is what we are considering. The Star Works are at the farthest end. They may have to pass through Grax. Would Grax Limited object to that?

Mr. Greenfield.—We would.

President.—If you do, the cost will go up. How can we do it then?

Mr. Greenfield.—It is for the Government to put up a scheme.

President.—Would you give a right of way, whoever it is, to take Mr. Mehta's salt through your tract? They will have to pass through your territory; otherwise it means going right round which you would admit to be quite an unnecessary expenditure.

Mr. Greenfield.—Our works are laid out in such a manner that you cannot possibly run through.

Mr. Hallifax.—In that case, we will have to reorganise our works a good deal.

President.—How is the salt of the Star Works to be taken?

Mr. Greenfield.—The line would run round the works outside.

President.—How much would be the increased distance?

Mr. Greenfield.—About 3½ miles.

President.—Supposing it is 3½ miles a small railway is not going to cost very much. Could you give us a complete scheme showing the distance and also the cost?

Mr. Thubron.—Our estimates would be very rough because we do not deal with railways.

Mr. Hallifax.—You mean that the railway would run outside the works.

President.—You must remember this that taking the line outside the works makes it more expensive and you might then jeopardise the whole scheme. Everybody ought to be as reasonable as one can be in this matter. It is not a matter of sticking out for the best but what would suit everybody concerned. Expenditure is an essential part of the whole scheme. Therefore you must not suggest anything that would increase the cost of the scheme to such an extent that we might well say that it is not worth doing. I don't see that the scheme need be very expensive. It may be possible for this authority—whoever it is—to take the thing up and run it at a flat rate?

Mr. Thubron.—Yes.

President.—It does not seem to me to be a very big proposition. All the works are there. This is a scheme that is going to cost time and trouble. I want the position to be as clear as possible. The proposal is as my colleague has just now explained, that one single authority will provide this facility right up to the point of the jetty and that it would be a flat rate for all concerned. One must not say that his lead is only 500 yards whereas somebody else's lead is 2,000 yards and the rest of it. The whole thing would be worked as one works for the purpose of transport. There is no means now of adjusting different rates and it is not going, as far as I can see, to be a prohibtive scheme. Nobody need be placed at a disadvantage. I don't wish you to commit yourselves definitely to that, but I want you to approve of it generally.

Mr. Hallifax.—We would like to know what the flat rate is going to be.

President.—Of course, if the flat rate is such that it makes the transport too much expensive, you may say that it won't do.

Mr. Hallifax.—Yes.

Mr. Mehta.—Grax have the advantage of using the creek.

President.—In that case, they might have to give an undertaking. Once this arrangement is made, you must stick to it for a definite period.

Mr. Hallifax.—We must know something about the flat rate before we can commit ourselves.

President.—We will go into the question of costs. If we make any recommendation, we have to ascertain what ought to be your fair selling price.

Therefore in investigating that, we shall take that into account. Whatever the cost is, it does not really affect you, provided we find that the salt can be produced and marketed at a reasonable price in Calcutta, so that really speaking you are not immediately interested in what the flat rate is going to be.

Mr. Hallifax.—Yes, under that guarantee.

President.—We give no guarantee. That is the principle. We take into account all the costs including the cost of transport, and we say that this is the reasonable price which the manufacturer ought to get, and there is an end of it. The whole point is would you be willing to accept such a scheme.

Mr. Mehta.—I would be willing.

Mr. Cargill.—The point is I cannot understand the nature of this meeting because Sir George Schuster made it definitely clear that our scheme had to include a scheme of transport.

President.—Don't bring in Sir George Schuster's name here.

Mr. Cargill.—I am sorry.

President.—You can deal with Sir George Schuster afterwards if you like. Pray don't bring him in now. Supposing Sir George Schuster is not in it—and he is not in it; you can take that from me—what is your view? Are you prepared to agree generally to this principle that the whole of the land should be treated as one works. The question of transport might be dealt with up to the jetty and some one single authority should be made responsible for taking the salt to that particular point at a flat rate if possible. Then, you can, as I say, take the advice of Sir George Schuster if you like. So far as we are concerned, are you agreeable to that principle because we don't wish to trouble the Port Commissioners unnecessarily.

Mr. Cargill.—Certainly.

President.—What about the Luxmi Works?

Mr. Chimandas.—I agree. Will this be only for Calcutta for export or for Sind also?

President.—Don't bring in any complications. We are not dealing here with what you are going to do in Sind.

Mr. Mathias.—You don't ship your local salt, do you?

Mr. Chimandas.—No.

Mr. Mathias.—We are not dealing with that at all now.

Mr. Chimandas.—So far as shipments are concerned, I agree.

Mr. Dinshaw.—Will that give liberty to construct our own jetties?

President.—Whoever it is, the transporting authority will require a certain guarantee that a certain amount of tonnage must be available. If you are prepared to guarantee that, then you can do as you like. After entering into an arrangement, I don't want anybody to back out.

Mr. Dinshaw.—I am nearer and suffer under that handicap.

President.—Which is your works?

Mr. Dinshaw.—The new works which is undeveloped.

President.—At the beginning of my address I pointed out that we were doing all this subject to what might happen when anybody got this piece of land and when it was laid out.

Mr. Dinshaw.—We have got the land: we have 200 acres of land. I wish to stand out.

President.—Mr. H. Dinshaw does not want to participate in the scheme and wants to make his own arrangements. So far as we are concerned we cannot take your cost transport.

Mr. Dinshaw.—Why not?

President.—Because we do not know what the costs are going to be. Supposing we are going to fix a fair selling price we are not going to fix it with reference to any particular works? You have not produced anything.

Mr. Dinshaw.—I am simply waiting.

President.—I just want to know how we stand. So far as we are concerned we proceed as if you have nothing to do with this part of the enquiry. You must make up your mind and let us know.

Mr. Dinshaw.—Give me time to look into it.

President.—You will have reasonable time to consider it.

Mr. Dinshaw.—Precisely.

President.—If I do not get an answer within a reasonable time I shall have to conclude that you stand out.

Mr. Dinshaw.—What do you mean by a reasonable time?

President.—A week.

Mr. Dinshaw.—Is it not too short?

President.—It is a very trivial point.

Mr. Dinshaw.—I shall do what I can.

President.—After all, the difference between your cost of constructing a jetty and the flat rate won't be much.

Mr. Dinshaw.—We will have to look into it.

Mr. Greenfield.—In this connection, please consider the question of transport as far as individual manufacturers are concerned. There are five companies and the question of a jetty must be considered. This scheme will leave out tides.

President.—We have not got to the sea yet. We are still on this side of the jetty. That is as far as the jetty. Supposing we were to accept these gentlemen's estimates, the whole production would come to 200,000 tons a year. That is as far as we can tell the maximum accommodation you have got to provide. That is a very liberal figure on the present data. Eventually this authority—Port Commissioners or whoever it may be—has got to provide accommodation now at the jetty and down the stream to the ship.

Mr. Thubron.—Yes.

President.—I take it from the jetty obviously it should be the Port Commissioners.

Mr. Thubron.—We do not do any lightering.

President.—That is a different matter. As regards the water facilities, the deepening of the channel, the jetty itself and the berth accommodation—I take it that all that is ordinarily the liability of the Port Commissioners.

Mr. Thubron.—In the ordinary circumstances it would be.

President.—Would you be prepared to provide this additional berthing accommodation at the jetty and to keep the channel in repair.

Mr. Thubron.—Yes, provided the salt is forthcoming.

President.—That is to say, would it be available at all times?

Mr. Thubron.—It would be brought down to the same basis as the stone bunder if it is improved.

Mr. Mathias.—Would you be able to ship a couple of thousand tons?

Mr. Thubron.—It would depend entirely on the number of lighters.

President.—The lighter question is a different one. Supposing there are two ships available in the harbour, it may be that they want 1,000 tons to be loaded per day or 1,500 tons you cannot take the average.

Mr. Thubron.—No.

President.—Supposing there were two ships at a time in the harbour they might require facilities for loading 2,000 tons a day.

Mr. Thubron.—They will have to work out how many barges would be required.

Mr. Mathias.—Would there be difficulty in arranging facilities on the pier?

Mr. Thubron.—You can take as many lighters as possible. It is a question of lighters.

Mr. Mathias.—It could be undertaken provided the salt is forthcoming.

Mr. Thubron.—Yes, but we have not gone into details.

President.—What is the minimum tonnage on which you would be prepared to do this.

Mr. Thubron.—I could not say off-hand.

President.—Will you tell us later?

Mr. Thubron.—Yes.

President.—The manufacturers are likely to take too rosy a view, but I would take it at 60 per cent. of the estimate for port purposes.

Mr. Greenfield.—That is a big pinch of salt to take.

President.—We want to be on the safe side. It is very difficult really to know how much is going to be produced because all are estimates.

Mr. Dinshaw.—May I know to what depth this channel would be dredged?

President.—Mr. Greenfield, I think you said about half tide.

Mr. Greenfield.—I should think so. The probability is that for small crafts the channel would be navigable at the low water level.

President.—What is the lower water level?

Mr. Shepherd-Barron.—At a spring tide, it will be dry. As soon as you get 3′ 6″, you can get your barge away.

President.—The draught then will have to be 3′ 6″.

Mr. Shepherd-Barron.—Barges could be made. Barges having a draught of 6′ 6″ and 7′ 6″ are deep draught bridges. They are not intended to be used as creek barges.

President.—Can you take as low as 3′ 6″ barges loaded?

Mr. Shepherd-Barron.—There are no such barges at Karachi at present.

President.—The question of barges is a very difficult one.

Mr. Dinshaw.—It could be easily got over. If they were to dredge the channel a little deeper, not only could they use big barges but country crafts.

President.—The whole point is which is the cheapest and best way of putting the salt on board the ship. If you have accommodation for 2,000 tons of salt being removed per day, it is quite immaterial what the draught is. They say that you can get special barges. If you are to wait for the tide, you will have to wait; if not, you have to use these shallow barges. Somebody has got to provide them. Now the point is this. If the salt manufacturers themselves were to provide barges and if they were capable of working them all the time, it is all well and good. If they are not able to get full use out of it, their keeping them would be more expensive than the Port Commissioners who would be able to find other uses for them.

Mr. Thubron.—If the salt people kept them, they could be lending them to each other.

President.—The trouble is that in the case of a common jetty you are likely to be hustled by people more powerful than yourself. That is a very unsatisfactory scheme. Therefore somebody has got to see that that does not happen. If the Port Trust itself provide facilities, they are not going to do so for nothing. The question is which is the best agency for it. One single authority would provide for the transport of the salt from the works to the ship.

Mr. Thubron.—You are butting in against vested interests. So, we do not want to do it.

President.—If the vested interests want to do it and give the same guarantee there would be no theoretical objection. So, the vested interests are also interested in this salt. I do not know whom you are referring to.

Mr. Thubron.—Government can fix the rate for the vested interests.

President.—It is a question of making it available when the ship arrives. The rate is a small matter. It has to be made available and for that reason the Port Commissioners may be depended on.

Mr. Mathias.—There is no question of vested interests here. It has not come into existence.

President.—This is really what it comes to. We have got to get the cost of the whole scheme, then a flat rate up to the jetty and then from the jetty to the ship and the lightering. In a case like this it is much better that an outside authority should do it than anybody specially interested in that business.

Mr. Thubron.—As regards lightering we will probably be more expensive than other people.

President.—The control must be in the Port Commissioners where there are rival interests.

Mr. Thubron.—The Government of India would perhaps be the best authority.

President.—The Government of India do not do any lightering business. Would it be possible for you to work out a scheme?

Mr. Thubron.—It would take some time to get it out. It cannot be done in a week.

President.—You can take more time because we are going on tour.

Mr. Thubron.—We simply pay the North Western Railway for what they do for us. If we gave you any figures, they would be very rough.

President.—I think I must tell the manufacturers this that so far as the question of rolling stock is concerned, it would mean transhipment if you do not provide your own wagons or whatever you use. It is only the hauling power that you will have to supply.

Mr. Dinshaw.—Why should they provide trucks? They can provide sidings.

President.—If you do that you are involved in double transport. For your internal purposes you must have a certain number of wagons.

Mr. Dinshaw.—That is something different.

President.—It is much better that you should use those and send them.

Mr. Dinshaw.—Do you mean private ownership of wagons as in England for coal.

President.—I do not know about England. If you do not provide your own wagons, you will have two sidings one for yourself and the other for the wagons of the Port Commissioners. Is it worth while increasing the cost? You will have tip wagons for your works. You might just as well make use of those; otherwise you will have to pay more at the other end. They are not going to provide you with those wagons for nothing. I am asking you whether you would prefer to hand the whole thing over to the transporting authority or whether you would like to use your trucks and get the hauling power merely?

Mr. Dinshaw.—I thought that when you proposed a flat rate, the whole thing was to be handed to one agency.

Mr. Thubron.—If you are going to transport salt for four miles the tip wagons ought to be of a much bigger size. In that case railway officers' opinion will be necessary because we do not deal in railway rolling stock.

President.—Could you get the advice from the railway authorities?

Mr. Thubron.—We could.

President.—If we are to do it it would be a rather round about way. This is purely a local problem. Even if we examined the North Western Railway somebody from the head office would have to be examined and he will refer the question to Karachi. I think that it would be more convenient if you could get us this information.

Mr. Mathias.—You will require the distance of each works from the pier head and also the amount of salt exported from each works in order to work out a flat rate.

Mr. Thubron.—That is why we think that it would be much more satisfactory if the railway side were investigated by the Railway Board.

Mr. Mathias.—Why don't you put an officer on special duty for three weeks? He would be able to do it in that time.

Mr. Thubron.—They propose to do it.

President.—The only thing is to expedite it then. We don't want to have it delayed much.

Mr. Thubron.—If that is going to be your recommendation, I can write to the Central Board of Revenue and ask them to expedite it.

President.—As a matter of fact, the Central Board of Revenue will not have anything to say against any information that we may want.

Mr. Hood.—They have already agreed to the appointment of an officer.

President.—So far as we are concerned, you can tell them that this is what we want.

Mr. Thubron.—Yes. If we got a railway man it would not take very long.

President.—Leaving the question of expenditure for the moment, will the Port Commissioners be prepared to take this over and work the whole scheme?

Mr. Thubron.—The Port Trust can do it from the pier. It is our duty.

President.—Within the works?

Mr. Thubron.—Do you mean the railway?

President.—Yes, as part of your railway.

Mr. Thubron.—We do not work any railway. The North Western Railway work for us.

President.—That is an expensive agency.

Mr. Thubron.—Yes.

Mr. Mathias.—They could work it on your behalf and charge a flat rate.

President.—Anybody can really run a railway like this. It is a very simple thing to run a small railway like 2′ railway. Mr. Thubron, your views I daresay will go a long way with the Board. After you have prepared this, it may be advisable for you to see how your Board is likely to view this question of taking it up. That would be at a later stage. So far as the running of the railway is concerned, a railway agency for a small matter like this would be much more expenisve.

Mr. Thubron.—Yes.

President.—I would seriously suggest that you should take it up.

Mr. Thubron.—I shall put it up to my Board.

President.—The North Western Railway is not by any means a cheap organisation.

Mr. Mathias.—It is not entirely outside the duty of the Port Trusts to run their own railways.

Mr. Thubron.—No, they can and do run their own railways.

Mr. Mathias.—Supposing this area was put under the Port Trust that would be all right.

Mr. Thubron.—We have power to run a railway.

President.—It is just like running a crane.

THE OKHA SALT WORKS, LIMITED, OKHA.

B.—ORAL.

Evidence of Messrs. KAPILRAM H. VAKIL and WALCHAND HIRACHAND, recorded at Bombay, on Friday, the 8th November 1929.

President.—Mr. Vakil, you are the Managing Director of this Company

Mr. Vakil.—I act on behalf of the Agents and also manage the works on the spot.

President.—And Mr. Walchand, you are one of the Directors of that Company.

Mr. Vakil.—Yes.

President.—Mr. Vakil, you have been investigating this question of salt for many years.

Mr. Vakil.—May I put in this book (Report on Salt Production by K. H. Vakil, 1917)? This is the only copy I have. I don't think you have seen it.

President.—If it is merely historical, it may be of slight interest.

Mr. Vakil.—It is not historical. All those grounds have been covered.

Manufacture on the Orissa coast.

President.—So far as I can see you have investigated this problem in Bihar and Orissa.

Mr. Vakil.—Yes.

President.—You were of the opinion that no good quality salt could be manufactured except at a very great cost.

Mr. Vakil.—Yes, at great initial capital cost.

President.—Is that your view even now?

Mr. Vakil.—Even now I adhere to that, but on the extreme coast of Orissa just near Jagannath Puri in the Chilka lake the conditions have rapidly changed and there salt could be manufactured, but the capital cost would be enormous and not in comparison to other places.

President.—You manufacture entirely by solar evaporation?

Mr. Vakil.—It is a combination of solar, mechanical and chemical processes.

Mr. Mathias.—Can the capital cost be so high as to make the sale of salt unremunerative?

Mr. Vakil.—Yes. With the combination of these three processes, it would be remunerative.

Mr. Mathias.—And the output would make it remunerative.

Mr. Vakil.—Yes.

Mr. Mathias.—What would be the minimum optput to make it remunerative?

Mr. Vakil.—The minimum output for Bihar and Orissa would be somewhere about 8 to 10 lakhs of maunds per year.

Mr. Walchand.—That presumes that the railway and the jetty facilities are provided by the Government and the cost of that is tremendous. We have gone into the question of railway siding to some extent.

President.—Chilka lake lies to the south of Puri?

Mr. Vakil.—Yes.

Mr. Walchand.—The cost of the railway siding will be somewhere about Rs. 15 lakhs and the railways are now prepared to consider it. As a matter of fact the Director of Industries wrote to Kapilram Vakil to arrange a meeting with the railway people to go over the land, etc., in connection with transportation. That would give only railway communication. In addition we would require sea communication.

President.—What do you mean by sea communication?

Mr. Walchand.—To take it to Chittagong, Akyab and other places.

President.—It is no good for short distances. The sea freight would not be cheap from this place to Chittagong. Freight would probably be cheaper from Okha to Chittagong.

Mr. Walchand.—As an alternative to Calcutta also.

President.—Double handling can never be economical for short distances.

Mr. Walchand.—Therefore we have put in 8 to 10 lakhs for jetty *plus* 15 lakhs. This presumes that Government or somebody finds money and any burden of this doesn't fall on the production cost of salt.

Mr. Mathias.—Some charge will have to be made for using the siding.

Mr. Walchand.—No.

Mr. Mathias.—You presume that there would not be.

Mr. Walchand.—The idea is that only mileage should be taken and no additional charge should be made for the cost of putting up the siding.

President.—If the railway gives you the facilities for the freight it must build the siding or put up the railway line.

Mr. Walchand.—At no extra cost. It is part of their whole system. Whatever is done inside the railway premises we pay 8½ per cent. for which the railway find the capital, but charges interest and depreciation.

Mr. Mathias.—What would be the inducement for the railways to put up a siding at their own cost?

Mr. Walchand.—Tremendous traffic and probably because of the pressure of the Bihar and Orissa Government.

President.—Can you produce there 30,000 or 40,000 tons?

Mr. Vakil.—One of the conditions in these negotiations is that we guarantee a minimum of 10 lakhs of maunds per year. That would be a sufficient inducement for the Bengal Nagpur Railway to consider the extension of their line from Puri to that island.

President.—If you don't manufacture 10 lakhs, it would not be worth manufacturing.

Mr. Vakil.—That is the minimum.

President.—Supposing you have got all these facilities, then I take it that you could produce the whole quantity required for the whole of the Bengal market.

Mr. Vakil.—No. Here again the ratio comes in. The island won't be able to supply the whole of evaporating area that we want.

President.—If you use artificial means, you can do it.

Mr. Vakil.—Yes. But there won't be much of an advantage in comparison with Okha.

President.—Anyhow it won't be much of an advantage, but it would not be higher than Okha. You are within 300 or 400 miles of the market.

Mr Vakil.—Yes.

President.—At the same time you are not very fa rfrom the coalfields.

Mr. Vakil.—The place is far out of the way.

President.—If you have these railway sidings, then you get your coal by the same route. Therefore, is it not better to investigate that?

Mr. Vakil.—I have investigated that and the cost would be very heavy.

President.—It doesn't matter what the capital cost is. What would be the whole cost?

Mr. Vakil.—That would have to be gone into.

President.—The cost of production is a very minor item?

Mr. Vakil.—Quite so by Solar Evaporation.

Mr. Walchand.—There has not been much of a capital outlay so far. All the works which we visualised had very little capital outlay. But if in this case the capital outlay is going to be somewhere between 10 or 15 lakhs for the works, then as regards interest, depreciation, etc., it makes a serious inroad on the cost of production.

President.—The total transportation charge from Okha to the Calcutta warehouse is Rs. 15 a ton. This reduces to, say, Rs. 5 or Rs. 6.

Mr. Vakil.—It would not be reduced to that extent.

President.—I mean the freight.

Mr. Vakil.—If you refer to page 47, Notes on transport, you will find that the freight from Chilka lake would come to somewhere about Rs. 8-8-0.

President.—That is to say you are calculating on the present basis. What are they allowing?

Mr. Vakil.—The present railway freights are between 0·33 to 0·4 pie per maund per mile. We may expect, if Government helps to obtain a rate of 0·2 pie per maund per mile. From the correspondence that has passed between us and the Director of Industries, I don't expect that the railway would give ·2 pie per maund per mile rate. ·2 would be a very low figure. Under compulsion Bengal Nagpur Railway may quote lower. Supposing we get ·2 the haulage cost by rail to Calcutta would be somewhere about Rs. 8-8-0 per ton. That does not confer any benefit in comparison to Port Okha.

President.—We will go into that before long. From Port Okha if we calculate everything on the figures that you have given which are subject to further examination, it comes to more than Rs. 12.

Mr. Walchand.—I agree.

Mr. Vakil.—That is including the charandars charge.

President.—It is at least Rs. 12 on your own figures.

Mr. Walchand.—Yes.

President.—You save Rs. 3 or Rs. 4 on the freight. The railway has got many advantages over the sea in that respect, because you have a better control and you can depend upon it. The time taken is much shorter and therefore even if the cost went up by Rs. 3 or Rs. 4 a ton at the works, still it may be a good proposition.

Mr. Vakil.—It would not go to Rs. 3 or Rs. 4. That is not possible under the present rates.

President.—I say about the cost.

Mr. Vakil.—Yes.

President.—Therefore it is worth while investigating this.

Mr. Vakil.—We have investigated that. We have gone several stages further. Negotiations are developing.

President.—All of us have been talking for many years of producing this salt in India. Now we want if possible to do something.

Mr. Walchand.—We have actually started and within two years we will give you 4½ lakhs tons that is required at Okha.

President.—Somebody may come forward and say "We are going to manufacture here and somewhere else and so on".

Mr. Vakil.—It is a question of survival of the fittest.

President.—You will go to Government and say "There is so much competition amongst ourselves, what are we to do? Protect us against that".

Mr. Walchand.—You have shown the way in the past and you will cont nue to do the same.

President.—I am just asking you a general question as to the place of manufacture. Really speaking do you think that it is the business of the Board to say where the manufacture should take place? You don't expect the Board to find out a suitable locality and put you on your feet and then teach you how to manufacture salt. It is rather for you to say "give us a certain amount of assistance, we will produce the salt".

Mr. Walchand.—We have said that here is Okha; we have already started and we expect to produce 120,000 tons in the first year. If protection is given we are prepared to produce the whole of the present imports—450,000 tons. We have also said that it costs so much financially and so and so is behind our back. His income is Rs. 2¼ lakhs a year. The Baroda State is prosperous. The enterprising State is behind us. It suits them because it enables the State to find employment for its subjects. In addition their revenue on the basis of what Aden pays to the British Government is the same—2½ lakhs a year. That alone is inducement enough for the State. The cost of extensions will be about Rs. 16 lakhs to produce the whole requirements of the country. Our present requirement is 120,000 tons. We have put the money and we have actually started.

Mr. Mathias.—What are you turning out now?

Mr. Walchand.—We have stated here that at the end of November our construction will be completed. Most probably you will be able to see the plant in full swing.

President.—I am quite sure you would do it, but that is not my point. Just now we are getting away from it. The whole point is that we must satisfy ourselves that the salt of this quality can be produced in the country including Aden. Of course, we may have to make some special provision as regards Aden. As I have said Aden can't be excluded. We only want 500,000 tons of this quality. We are satisfied that it can be produced in the country.

Mr. Walchand.—May I put in another point. Here we are eating all this dust (sample of Bombay salts shown). Instead of 500,000 tons we must have 750,000 tons.

President.—The sea is very deep and it won't grudge you a few hundred thousand tons more of this salt. First of all we have to find out whether this quality can be produced in India or not and marketed at a reasonable price. I am leaving it to the industry to produce the salt. If we are satisfied that it ought to be produced, then we have got to device a method by which assistance could be given on a proper case being made out. This part of the investigation is done ordinarily at a much later stage in our proceedings, but in this case I wish to draw your attention at a very early stage, because that is really the whole crux of the question. Having arrived at this decision that this quality of salt can be produced in India and marketed at a reasonable price, what should be the means?

Mr. Walchand.—We need not go into the question of quality.

Difficulty of securing fair selling price to indigenous manufacturers.

President.—We will assume for the moment that the quality and quantity can be produced and under normal conditions salt can be marketed. But having got that, the difficulty arises in what form this assistance should be given, if a case has been made out, in order that it may be produced and marketed. The ordinary way is to put on a protective duty. That I think is open to very grave objections in a case like salt. It would not be open to such grave objections if we could depend upon the foreign price remaining more or less at a constant level. Supposing we said: "you ought to have Rs. 80; the present price is Rs. 70 and the difference between the two is Rs. 10" and devised the measure of protection accordingly and if the difference between the two prices became Rs. 30.....

Mr. Walchand.—You mean if they reduced it to Rs. 50.

President.—Yes, what do you expect the Government to do in that case?

Mr. Walchand.—That also we have said in our representation.

President.—I am asking you whether this is a case in which Government can well do it. Salt is partly politics; salt is not merely economics.

Mr. Walchand.—Salt is finance and industry.

President.—Salt is politics also. I am asking you—do you suggest that Government should then impose offsetting duties as in the case of the Steel Industry?

Mr. Walchand.—The burden on the consumer—I mean the retail consumer—is very nominal. In the debate at Delhi when some one said: "reduce the duty by four annas" Government members said that the reduction would not filter down to the consumer.

President.—It is no longer a question of 4 annas. It may be a good deal more. You start with three annas and then the difference may increase by another five annas.

Mr. Walchand.—Then it is a case of sudden emergency which will be arising.

President.—The price had gone down as low as Rs. 47 for the same salt.

Mr. Walchand.—As a result of dumping or in the ordinary course.

President.—I do not know what the cause was.

Mr. Mathias.—We have not got yet the explanations or the reasons for these variations.

President.—Rs. 52 was the figure given by one of the applicants and Rs. 47 was the lowest figure according to the trade returns. These are hypothetical figures. Supposing we took Rs. 80 as your price and Rs. 70 as the import price—which is about the figure now—and then the import price comes round to Rs. 50 and it may go down still more when there is dumping on the part of the people who have already made a fortune; when they are on the point of losing the market the price may come down as low as Rs. 40—in such a case it is difficult for Government to take action.

Mr. Walchand.—Then, the Government's duty is clear.

President.—Government would think twice before it accepted a protective duty. Once Government does accept it, it will be the duty of the Government clearly to make the scheme of protection effective. I wish you to consider—to put yourself in the position of Government—and say whether it would undertake the imposition of duties which will have to be varied from time to time in the case of common commodity like salt. It would certainly interfere with the market by doing it all the time.

Mr. Walchand.—As far as Burma and Calcutta are concerned.

President.—Supposing we have to put up the duty by 12 annas a maund, it will affect the price of these other kinds of salt. All over prices would be raised. There is that risk. If you raise it by three or four annas the prices of other salts may not be raised, but supposing it becomes a question of 12 annas you may be quite certain that the price of all salts will go up until by overproduction or other causes prices come down. That is a point I want you to consider.

Mr. Walchand.—What view we are taking of the matter is this. At present no salt except the table salt is imported in any of the provinces other than Bengal and Burma. We might prohibit the importation of salt without causing any damage to any one.

President.—Which?

Mr. Walchand.—The import of salt in territories other than Calcutta, Chittagong and Burma.

President.—You want Government to prohibit the importation of salt.

Mr. Walchand.—Yes, except the table salt.

President.—I am coming to that. We will go step by step. Therefore Government must do something by which the price of salt is not interfered with too often and you suggest prohibition.

Mr. Walchand.—At present no salt in bulk is being imported into any ports other than Chittagong, Calcutta and Akyab. No salt is coming in except the " Taj Mahal Hotel " salt. That salt is about 150 tons.

President.—Not so much as that.

Mr. Walchand.—It may not be so much, but a little less. Barring that actually no salt is imported into the whole of India and Government will only say " We shall prohibit it ".

President.—They cannot prohibit the import of foreign salt in Bengal, can they?

Mr. Walchand.—No. I say till we are self-contained.

President.—I wish to point out to you the difficulties in the way. You may be quite certain that the foreign competitor is not going to give up the market without a fight.

Mr. Walchand.—We think that when he sees the attitude of Government which is bent upon protecting its own industry, he will have good sense enough not to try and measure his strength with the Government of the country. If the Government is so minded that it sees the necessity for the manufacture of salt being carried on in the country—for making India self-contained—no business syndicate will ever think of fighting or trying to measure its strength with the Government of India.

President.—It is not a question of syndicate. There is no syndicate really. It is a question of large individual manufacturers.

Mr. Walchand.—Can they produce very much cheaper or so cheap as you are thinking of?

President.—If a man has more markets than one, he may lose in one and at the same time make up his loss in another. Therefore it is not impossible that he may still continue and find it profitable to reduce the price to Rs. 40 or Rs. 45. In such a case you must be prepared in any scheme that you propose to deal with that situation. I am just suggesting to you whether it would be well in your own interests to put forward that scheme.

Mr. Vakil.—Does it mean that we have to point out the economic limit to which the competitor can go.

President.—When he goes what is the remedy?

Mr. Walchand.—The most exaggerated form that we can think of is 12 annas.

President.—I am not prepared to mention any figure as far as dumping is concerned.

Mr. Walchand.—If you want to avoid this daily watching and changing of the tariff, I was thinking what subsidy would be required to meet that situation. Calcutta is importing now about 120 lakhs of maunds. If the conference or the foreign manufacturers were so keen as to have a hold on the market and things went as bad as Rs. 40 or even Rs. 35, the three annas that we have suggested would not be sufficient, if the foreign salt is going to be sold 12 annas below our efficiency. If the Government of India want to make good the whole of it—and they must make good—it would cost them about Rs. 85 lakhs on 120 lakhs of maunds.

President.—For how many years?

Mr. Walchand.—During the period that the foreign manufacturer is trying to kill the local industry.

President.—Government would want to know the period.

Mr. Walchand.—That state of affairs of selling at 12 annas less cannot continue for a long period. Even the petroleum concerns could not carry on war for more than three months. For the whole year, if they carried on at

12 annas less, the subsidy or bounty to be given to the local industry would be about Rs. 85 lakhs which is nothing compared to the total revenue which the Government will be making on salt, *viz.*, 5 or 6 crores.

Mr. Mathias.—In the middle of the financial year Rs. 75 lakhs would be a big amount.

Mr. Walchand.—I have never come across such a case.

President.—In the first Steel Bill we provided for a duty of Rs. 35 on bars. Our second proposal was Rs. 75 to equalise the price but Government, of course, did not agree. So, you see these things have happened.

Mr. Walchand.—The cost of production is so small in this case.

President.—It is the total cost that matters.

Mr. Walchand.—If the foreign manufacturer can reduce his price, he can only effect his reduction in the cost of production and not in the railway freight, etc. Of course, he can sell the salt free to kill the indigenous manufacture. More than that, he cannot go. Even if it is 12 annas, it amounts only to about Rs. 85 lakhs—that is if the whole rate war goes on for full 12 months. That is a very remote contingency.

President.—The foreign manufacturer is at present selling at Rs. 70. Out of that, he probably makes a profit of Rs. 15. He may give up that profit.

Mr. Walchand.—That comes to three annas.

President.—We have already provided for three annas. Now he may incur a loss in this market. Either he may be able to induce the steamship companies—I am talking of foreign salt—to quote to him a lower freight or the State may subside the freights. We do not know what the Italian Government, for instance, would do. In a case like that, you must provide for a margin of Rs. 10 if it really comes to a fight. If you are having a scheme, it should not fail under any reasonable or foreseeable circumstances.

Mr. Vakil.—The reply to that is given on page 51 of the replies to the questionnaire.

President.—I have not looked that up yet. I am discussing with you the general question because it is very important that you must not put forward a scheme which is vulnerable from the first.

Mr. Vakil.—We have gone into statistics regarding that point. When we come to that, we shall discuss that point.

President.—The same thing applies to a bounty.

Mr. Walchand.—We have not suggested a bounty.

President.—No, therefore we won't deal with it. Can't you think of any other scheme which will suit you?

Mr. Walchand.—We thought that this would be the easiest and best.

President.—Supposing we were satisfied that three annas would suffice, I am asking you what is Government to do if 3 annas does not suffice. That is the whole point.

Mr. Walchand.—Proportionately increase the duty.

President.—That is open to objection.

Mr. Walchand.—That I am afraid in the case of protection we must have to face.

Mr. Mathias.—In a case of that emergency, Government will have to go to the Legislative Assembly and justify it.

Mr. Walchand.—The manufacturer will have to go to the Government and say that the foreign manufacturers have reduced their price without any rhyme or reason. If Government are satisfied they will go to the Assembly.

Mr. Mathias.—There would be considerable uncertainty as to whether the Assembly would agree or not. In the meantime there might be considerable speculation on salt.

Mr. Walchand.—In case the Assembly does not agree it means that it does not care what happens to the industry in the country. If that is the country's verdict, the industry will have to go to the wall.

President.—Though you say salt is not politics, I say that salt is politics.

Mr. Walchand.—Not with the new Assembly.

President.—The new Assembly might be worse.

Mr. Walchand.—By the new Assembly, I mean the next Assembly.

President.—We might assume that salt is and will be politics for a long, long time in this country. The poor man's salt must not be made much more expensive.

Mr. Walchand.—That I admit, and I emphasise that. The present duty is 20 annas. Do not make it 23. We agree that if possible it should be reduced.

President.—The finances of the Government of India are no secret to anybody. You know what the finances of the Government of India are at the present moment.

Mr. Walchand.—Then give us 23 annas.

President.—Very well, having given you 23 annas, you might find that you want 27 or 28 annas. In that case the Assembly may be a very uncertain quantity. It is just like increasing the salt duty and the Assembly has always opposed any increase in the salt duty.

Mr. Walchand.—Even in a case of emergency?

President.—Even now the salt duty goes out.

Mr. Mathias.—It would be quite reasonable for members of the Assembly to take up this attitude. We agreed to 3 annas increase in the duty on salt. Now you are coming to us for another three annas. What guarantee have we that you would not come again for another three annas.

Mr. Vakil.—In reply to that may I suggest that supposing you fixed the upper bar we would be prepared to consider the lower bar.

President.—What do you mean?

Mr. Vakil.—If the prices are reduced lower than a particular bar, we will not come to you.

Mr. Walchand.—Then we will have to shut up our works.

President.—The country will say that if after having made so much sacrifice the works are to be closed down, it is not good. When the country makes up its mind that certain things should be manufactured in the country then it will have to decide that whatever happens it must come to its rescue, and, as my colleague said just now, you cannot depend on the Assembly raising the duty on such an article as salt from time to time. As you know, it has always objected to the raising of the duty and it is for that reason I am asking you whether you cannot think of any other method assuming that Government desires that this industry should be encouraged. You cannot simply say this is the only thing to be done.

Mr. Walchand.—Whatever we have thought as the best means we have put before you, but you must have devoted some attention and thought to it.

President.—Why should we think for you?

Mr. Walchand.—As commonsense businessmen one would say that no conference will try to measure its strength with Government by defying the Assembly.

President.—But the conference knows that Government will not go beyond a certain point because of the Assembly.

Mr. Walchand.—We say that the chances of the emergency arising are very few.

President.—But there is the probability. If the foreign manufacturer knew that Government would go to any length then he won't, but when he knows that there is the Assembly which may not agree, the conference may

take its chance. So that you will have to think a little more and give us something that would meet the situation better.

Mr. Vakil.—Does not the same thing apply to any other industry?

President.—Yes, but about salt there is a lot of sentiment. Whenever Government raised the duty there was an outcry in the country. As I said before, salt is politics.

Mr. Vakil.—May I point out that the raising or lowering of the duty as far as the consumer is concerned, has not affected him so much as the heavy fluctuations in price caused by the conference. But at no stage has the country protested why the price was raised or lowered.

President.—That is politics. There are vested interests which have to be conciliated.

Mr. Vakil.—We have got very strong argument in this case that the duty seldom filters down to the consumer but there is one factor which raises the price in Calcutta and that is the operations of the conference.

President.—The operations of the conference are really the cause of all this trouble and therefore how do you propose to meet the conference?

Mr. Walchand.—What we suggest is, instead of three annas it should be 4 annas and that one anna Government should carry to a reserve fund. If this contingency arises Government should help us out of this reserve.

President.—Mr. Walchand, you must remember this that he would be a very bold man who would say that the imposition of a duty will not raise the price. Supposing it raised the price of all salt in the country then it is a big burden. These Bombay salt people will say "this man cannot get any other salt in the Bombay Presidency, let us raise the price".

Mr. Walchand.—The bulk of the salt works is run by Government.

President.—Government does not do anything about salt. The price of salt must go up until Government produces more salt, but there is the risk that prices may go up, the moment you increase the duty.

Mr. Walchand.—I rather thought that you were talking the other day about the fear of overproduction.

President.—That will take time. It is during the transitional stage that this difficulty will arise.

Mr. Walchand.—If we raise it to 4 annas and Government retains one anna as a reserve fund to be utilized if and when such emergency arises.

Mr. Mathias.—How do you divide this?

Mr. Walchand.—Instead of 20 annas that Government collect, they will collect 24 annas. 23 annas they will take to the usual revenue—as a matter of fact they ought to take 20 to revenue and keep the rest as reserve. It should diminish as soon as the local manufacturer increases his production. The whole of that 4 annas should be carried to a reserve fund to be utilised in case the foreign manufacturer reduced his price to 8, 10 or 12 annas.

Mr. Mathias.—How would you use it?

Mr. Walchand.—Distribute it according to the production or harm done to each manufacturer. I cannot suggest any rule to-day: if and when the emergency arises the Tariff Board meets again, we come before you and you distribute it.

Mr. Mathias.—As your salt production in India increases the charge for compensating the Indian industry will be greater and so your reserve fund would be decreasing.

Mr. Walchand.—The emergency will very rarely occur and for that there is the reserve fund. When we are producing more we ought to be able, as we have done in pig iron and cement, to produce economically and stand on our own legs. Pig iron and cement have shown that we can do without fiscal duty.

President.—There may be trouble in the case of salt, if you raise the price to the consumer.

Mr. Walchand.—Hang us in the same way as you are doing the cement wallahs if we raise the price unduly.

President.—Isn't the most important thing in this the variation in prices in the salt market in Calcutta—Rs. 52 to Rs. 120?

Mr. Walchand.—I would rather put it the other way that on the whole they have been very steady: except during the war period the prices more or less can be treated as steady. We have here in our book this 40 years graph. We start in 1891 between Rs. 60 and 70 and it is pretty steady except during the war period.

President.—You can't call that very steady between 1925 and 1929?

Mr. Vakil.—In the case of foreign salt the freight rates are responsible for the variations.

President.—Freights don't vary very much in the case of these variations within the last three or four years. You may give an explanation of a very unpleasant thing but that unpleasantness still remains; explanation does not cure it! You may console yourself with it if you like.

Mr. Walchand.—Coming back to the possibilty of that emergency which you contemplate arising, even in the case of the world-powerful match companies as soon as they saw that that was the temper of the Assembly they have tried according to their own lights to meet the country's wishes by registering a rupee company in India, by having a majority of Indian directors and so on. I was thinking of the possibility of the conference trying to measure strength with the Government of the country: they will say it is no use fighting and they might try to meet the country's wishes.

Mr. Mathias.—Isn't the case of the match company rather different?—It depends on the temper and inclination of one individual. It is all managed by one man.

Mr. Walchand.—Quite true.

President.—That is quite a different proposition altogether. Do you or do you not agree that the main difficulty in this case arises from the fluctuations in prices in the salt market? Supposing these prices had remained at Rs. 75: you would not have needed any assistance. That would be about the price which they would aim at. The first thing we ought to do is to stabilize prices at a level which gives you some security and at the same time does not interfere with the poor consumer very much. That is the sort of thing I wish you to find out—stabilizing price at a level which you would not wish to disturb for a long time or indefinitely. That ought to be the aim in the case of a commodity like salt.

Mr. Walchand.—And do away with the necessity of coming to the Assembly often?

President.—Yes, because that is a scheme which has the best chance of going through.

Mr. Mathias.—Do you know anything about the salt conference?

Mr. Walchand.—No. Our information is second-hand: we do not know the exact method. In the last air mail letter that we have received we have been given a figure of £120,000 as the liquid reserve of one individual firm for fighting. That Company is the Port Said Company.

Mr. Mathias.—Do you consider that this very low price of Rs. 62 or 63 which they have at present is the natural result of the period of high prices which prevailed in the previous years?

Mr. Vakil.—My strong belief is that that is so. This clearly indicates what was at the back of their mind. They calculated that the Okha works would take two or three years to complete and during that two years they put up the prices and the reserve they built up during that period they are now losing against us.

Mr. Mathias.—If we were able to stabilize prices at say Rs. 75 that would to some extent cripple them from raising sufficient money from the reserve

to enable them to reduce prices, isn't that so? Supposing Government were able to stabilize prices at Rs. 75 then they would not be able to lay aside such large reserve funds and they would not be able to reduce prices and that would assist you would it not?

Mr. Walchand.—Do I understand that in case Government were prepared to say no salt would be sold below Rs. 75 and any selling below that would be illegal, would that do away our difficulties? If Goverrtment were to say Rs. 75 is the reasonable price of salt and any sale below that will be considered as illegal, that would meet our case.

Mr. Mathias.—I am merely indicating a minor point. My point is this: supposing Government is able to stabilise the price at Rs. 75, then *ipso facto* the foreign companies would not be able to lay aside such big reserves and therefore their fighting power in the way of reducing prices would be lessened.

Mr. Walchand.—This will only apply to the lower buyer—minimum to be fixed not below Rs. 75.

President.—You were just now quoting the Swedish Match Company. What is it doing here or elsewhere? Look at their methods. How do they deal with the question? They control the market. That is their aim. Then they say that matches are to be sold at a particular price in the country. It has not varied. For years and years they have not changed the price, once they have got control of the market. Whatever the costs and whatever the other circumstances, they say one gross of matches cost Re. 1-2-0. It remains at that level and it is not changed because they are able to control prices and to control production. Penny boxes and half penny boxes are going on for ages. The reason for that was the control of prices and control of production. To interfere frequently with prices of commodities which are in common use is not easy. It disturbs everything. Supposing they raise prices every six months and they bring them down so far as the retail consumer is concerned he doesn't get the benefit of that for a long time. Take the case of the oil companies. They keep the prices of kerosene at a particular figure.

Mr. Walchand.—This might help the situation if a particular price is legalised.

President.—How can you legalise the price except by controlling the prices or by controlling the market. Can it be done except by that means? You have got your cement pool.

Mr. Walchand.—Yes, the country has got the cement pool.

President.—It says " this is our price and no one shall sell below that or above that ". They are controlling the prices as well as production. As more is required, more is produced by them. In the same way don't you think that a scheme may be devised here which while it gives you the assistance you require, at the same time stabilises the price at a particular figure.

Mr. Walchand.—By stabilisation now you want to make it more perfect—not only the price which could be justified by the production.

President.—No.

Mr. Walchand.—The production should also justify it.

President.—The whole thing is that we want a certain quantity of salt in this country. That quantity must be guaranteed first. Then we want it at a certain price which should not vary as far as possible. That should be guaranteed. We also want that as far as possible all the salt should be produced in the country. These two things are borne in mind. It is such a scheme that we are after.

Mr. Walchand.—Stabilisation can be effected by two methods. One is what Mr. Mathias has said.

President.—He is fixing the maximum limit.

Mr. Walchand.—*Ex* price which we consider reasonable. If any one sells below what has the Government to do? The Hon'ble the Finance Member

says: "My loan is issued at 98 and if the bazaar makes it 97, I will go in the market and buy it. I have a fund and I shall try to keep the price at the issued price. I have issued at 98. If by manipulation or otherwise the price is reduced, I am setting aside a small fund from which I will buy and stabilise the price".

President.—Therefore Government controls the price.

Mr. Walchand.—Yes. As regards stabilisation it can be done by two ways. One way is by Government undertaking to buy. In case the conference reduces the price from Rs. 75 to Rs. 65, Government will step in the market, take advantage of the market, buy the whole thing at Rs. 65. This will be very difficult in this case. It is a perishable commodity. There is accommodation. For various reasons it may not be feasible. Therefore we will have to make it illegal in the interests of the community to reduce the price below a certain extent. Give them a latitude.

President.—Then you have got to look after the supply. If you make that illegal and the supply is not forthcoming, the price must go up.

Mr. Walchand.—I will come to that point. We are now agreed that buying of stocks in the case of salt is impracticable. It may be practicable in the case of cigarettes, but in the case of an article like salt, the buying of stocks to defeat the dumper's aim is not practicable, and therefore we have got to say that it is illegal. Any one selling below a certain price will be liable to a fine of so much. But what would happen if the local production is not forthcoming. The local production is not even to-day forthcoming. If to-morrow Port Said and Aden refuse to send any salt, we will have to starve. That difficulty is there even to-day. It has been there over 50 years. We are making an effort—an honest effort to produce 120,000 tons by the end of a year. We will tell you at the end of 24 months that 500,000 tons is ready. During that short period of 2 years, even then we do not face the consumer with any serious drawback, because the foreigner has been sending the salt during the last 100 years.

President.—If he continues to sell, he will compete against you.

Mr. Walchand.—With that differentiation of three or four annas I want him to come in.

President.—We have assumed that the foreigner wants to compete with you.

Mr. Walchand.—We don't want to stop him.

President.—We can't stop him from selling below a certain price. Supposing he does.....

Mr. Walchand.—Supposing this three annas is given to me, I will be happy.

Mr. Mathias.—You want a differential duty of three annas for two years.

Mr. Walchand.—7 years. In two years I begin to produce. Even to remove the three annas I want 4 or 5 years to get into the groove. The Chairman's difficulty was "if the salt was not produced". I say at the end of two years as far as human intellect can go, production is feasible. We will convince you and we have convinced experts: the sources, the raw material and the capital are all there. One can assume that at the end of the 24 months, production will be certain.

Mr. Mathias.—When you cannot dispose of it because of foreign competition?

Mr. Walchand.—To that extent we want As. 3.

Mr. Mathias.—Supposing owing to dumping even that As. 3 was not enough?

Mr. Walchand.—Below As. 3 they shall not sell.

President.—How can you do that?

Mr. Walchand.—If any one sells below Rs. 75, that price includes my As. 3 The assumption is that we can produce ourselves economically at

Rs. 60. I want Rs. 75. That Rs. 15 is my As. 3. Any one selling below Rs. 75 should be considered as illegal.

Mr. Mathias.—Supposing the importer sells it at Rs. 75 and then he gives a drawback.

Mr. Walchand.—These things will have to be faced.

President.—Except in war times you can't fix prices like that.

Mr. Walchand.—Let us turn it down. Stabilisation under those circumstances either buying of stocks or by making it illegal to sell below a price is impracticable. Let us think of something else. If it is agreed that the Government cannot make it illegal to sell below Rs. 75, let us drop it.

Mr. Mathias.—What do you propose?

Mr. Walchand.—Let us think it out.

President.—You want to produce salt in the country.

Mr. Walchand.—Yes.

President.—Therefore we have got to give you a price which would enable you to produce that salt. At the same time we don't want to raise the price of salt in the country unnecessarily or beyond the protection limit.

Mr. Walchand.—Yes.

Control of prices by the formation of a marketing organisation.

President.—Therefore the only other alternative is that somebody must control prices as well as production, is it not so? There is no getting away from it. Supposing India requires say 2,000 tons altogether of which 500 tons have to come from outside. That 500 tons you want to manufacture in the country. Nothing is manufactured just now. You start producing 100 tons. The other 400 tons have to be imported and it must be ensured that the 400 tons are imported as well as this 100 tons are manufactured in the country and therefore you require some agency which is responsible for the supply of this 500 tons in the market. If 100 tons are produced, it must get 400 tons from outside. If 200 tons are produced, it must get 300 tons from outside and so on until all the salt that is now imported is produced in the country.

Mr. Walchand.—Do I understand that 400 ton-wallahs might stand aloof?

President.—I don't say that.

Mr. Walchand.—What is the fear?

President.—The fluctuations may be such.

Mr. Walchand.—You mean fluctuations in price.

President.—Yes.

Mr. Walchand.—You assume that the quantity is there.

President.—The quantity is there, but at a price which we don't know and that is an uncertain factor.

Mr. Walchand.—We will have to face that.

President.—Why should we? Government will say "We will take possession of the whole of this market and supply the whole of 500 tons which this country requires. We will buy the quantity that is produced in India and the rest will be imported."

Mr. Walchand.—My basic objection is that I don't like Government to nationalise or stateown any industries. Leave the industries to private enterprise as much as possible.

President.—Supposing it entrusts this work to a marketing company.

Mr. Walchand.—A big monster will be created to control.

President.—Government must get a guarantee that this salt will be produced in the country. While it is being produced in the country, it must

get the necessary assistance. Also the price of salt should not necessarily go up or there should not be any frequent changes in the price of salt. Can all these be secured in any other way?

Mr. Walchand.—The supply will be there. I rather believe that the supply has been there and will continue to be there. The second difficulty, *viz.*, undue fluctuation of prices—we will have to bear for 24 or 36 months.

President.—It might be more.

Mr. Walchand.—Till the whole production is there—the manufacturers claim that they can do it and I am sure you will also be convinced of it—during the transitional period we will have to bear the same thing which we have borne for the last 54 years. We have been at their mercy and we will continue to be at their mercy. We cannot help you to-day.

President.—You are assuming that the moment you begin to produce you will be on your feet.

Mr. Walchand.—We will go into figures.

President.—The peril is there always. He may come in at any time and disturb your market. Where is the guarantee that under all conditions you will be able to compete against him. It is for that reason I am asking you if you were quite sure of that whatever happened—

Mr. Walchand.—I am not quite sure.

President.—That is the point.

Mr. Walchand.—If he reduces to Rs. 45, I will have to close my factory.

President.—Therefore we have got to devise a scheme by which that cannot happen. You are concerned with getting a fair selling price for your output.

Mr. Walchand.—I say give me three annas. If he goes below Rs. 62, then protect me. Beyond that I don't say anything. I am prepared to take care of myself and I am quite happy.

President.—The whole point is that you must devise some scheme which would more or less be permanent.

Mr. Vakil.—May we take it that in the initial stages we should have a sort of Indian Conference?

President.—I don't know. I am just asking you.

Mr. Vakil.—By means of the conference not only do we regulate the price, but do we assure the supply?

President.—Is it not better that supposing salt was to be manufactured in the country both production and prices should be controlled if possible.

Mr. Vakil.—If a conference of that nature is formed, would that meet with your requirements?

President.—It depends on what footing it works. Supposing it works like some other combines and charges beyond what is considered reasonable.

Mr. Walchand.—We say that if Aden is restricted to the 38 per cent. which it is now doing, we have nothing to say. We appreciate the difficulty of differentiating between different parts of India. If the intention is to make India self contained, then Aden should be restricted to 38 or even 40 per cent.

President.—You must remember this that so long as Aden is part of British India, we cannot impose any special disability on that part. It cannot be done. There is that difficulty in regard to Aden. Of course it may be possible to make a distinction between a genuine Indian industry and an industry which is not run by Indians. It implies an amount of Government interference which they may not like to undertake it.

Mr. Walchand.—Even as regards the restriction of output? They are now doing about 38 per cent. and should not be allowed to do more.

President.—We cannot do that.

Mr. Walchand.—You mean if they can produce more than 38 per cent.

President.—We cannot put on any limit as regards British India. We may be able to say that an industry if it is not worked by Indians must comply with certain conditions—the usual thing about rupee capital and so on—but that will not apply to the raising of the duty.

Mr. Walchand.—Aden will have to be included in the protection scheme.

President.—It is for that reason that I wish you to consider this. Whether it is a conference or a marketing organisation or a Government monopoly there would be less interference and greater stability than under any scheme that we have been discussing. In the Match Industry we tried to start a marketing company and you amongst yourselves could not agree as to the quota and therefore it fell through, and we were quite helpless. But in a case like this it is a commodity that affects everybody and it may be possible to devise a method by which you control production as well as prices and market in the cheapest possible manner. That is the sort of scheme which I should like you to consider and think out. We shall of course consider your proposals but as I have pointed out to you there are difficulties.

Mr. Walchand.—I thought that it was too early.

President.—It can never be too early to start correctly.

Mr. Walchand.—I do not know what the manufacturers at other places think of it. I have no idea at all.

President.—For the purpose of discussion, manufacture and marketing are separate. They are two totally different functions. You are a manufacturer and will not be allowed to market your product. Marketing will be done by a separate agency. Whether it is a Government agency or a conference or a marketing organisation is a different matter. As manufacturers you are only concerned with making a reasonable profit on your manufacture. If that agency enables you to do that and at the same time puts this article on the market in the cheapest possible manner, would it not be desirable to have it?

Mr. Walchand.—Yes.

President.—This agency says it requires 2,000 tons to be sold in India. It will ask you 'in India how many tons can you give me' and you say 'we will give you so much'.

Mr. Walchand.—I can visualise the operations of that body.

President.—It buys say 500 tons from you at a reasonable price and imports the rest.

Mr. Walchand.—We have come to the quota.

President.—There is no question of quota in this. In the Match Industry we have found that the quota business will not do. Quota is not a practical proposition until we are far more advanced.

Mr. Walchand.—The same thing will come in the way of selling organisation.

President.—It won't. If in place of 500 tons that is wanted there is a production of 1,000 tons, you have to fight amongst yourselves. The person who quotes the lowest price will get it.

Mr. Vakil.—Government are very nearly doing the same at Kharaghoda. Government determine what quantity is required and market it. Then they decide every year how many manufacturers there should be. Government decide the question of quota in that case.

President.—It is not necessary to decide the question of quota because you gentlemen will not agree. The manufacturing organisation has nothing to do with the marketing organisation. It says "We want 2,000 tons. How much can we get in the country". So long as there is no over-production you will get the price that has been fixed—*i.e.*, reasonable fair selling price. When there is over-production then all that is necessary is to ask you to tender. The balance of course will have to be imported. In that way supply and demand will probably be maintained at a more or less fixed

price. We say in Calcutta salt must be sold for all time at Rs. 75. What this company would do is it would aim at stabilizing prices at that figure whatever happens. If it is able to buy at very much less, it will make more profit. As to whether that organisation should take the profit or somebody else, that is a detail which can be discussed afterwards. Don't you think that that might be a way of getting out of the difficulty. There is the Government property. They may also compete in the same market. You cannot prevent the Government from doing it if it wishes. Therefore Government must also come in in order that there is no un-economic competition between you and the other manufacturers. Is it necessary for you to market your production also or would it do if you are able to dispose of it?

Mr. Mathias.—At present you market it through commission agents.

Mr. Walchand.—Yes.

Mr. Mathias.—You don't market it yourself.

Mr. Walchand.—No.

Mr. Mathias.—Do you do it on the 5 per cent. basis?

Mr. Walchand.—Only 2½ per cent.

President.—So long as you get your fair selling price does it matter what happens to your salt afterwards?

Mr. Walchand.—In the long run it does. We have to be sure that the marketing organisation is a fair organisation and we ought to have a voice in it.

President.—Quite, you would have a voice but it won't be your function to market the salt. Government will say "we recognise the marketing organisation in which manufacturers will have a voice".

Mr. Walchand.—What difficulty came in the way of quota business would also come in this.

Mr. Mathias.—Is it one of your points that this marketing agency would possibly destroy your reputation in the market, that is to say your salt would be sold as the agency's salt and your reputation for fine salt might suffer.

Mr. Walchand.—It might be that. It might also be this. I do want to have a voice and on the amount of voice I am going to have I might differ as I did on the question of quota. My Aden competitor might say 'I want 75 per cent. or 51 per cent. voice'.

President.—The whole market is thrown open to manufacturers. In the case of matches there was the question of quota. Here if salt of certain quality is produced, it will be bought and marketed by this company.

Mr. Walchand.—That means the company will fix or regulate or control prices. If the price is fixed at Rs. 40, then the marketing organisation in its own interest will have to buy in the cheapest market.

President.—It will give preference to the Indian manufacturer.

Mr. Walchand.—Including Aden?

President.—Yes, we shall take it like that. Supposing we say Rs. 10 a ton f.o.b., from your place, that will be your fair selling price and any one who is willing to supply at that price will be asked to supply. At first there will be no trouble because there is no over-production. It is only when there is over-production that troubles may arise.

Mr. Walchand.—There will be trouble in the very initial stages—on the very first day. You may say that Cheshire or Aden salt is 15 per cent. superior whereas our contention is that it has got only about half a per cent. superiority.

President.—We do not say anything like that.

Mr. Walchand.—Again, it might be said that the Calcutta market will pay Rs. 3 more for the Aden salt and Rs. 3 less for the Okha salt. We will

at once jump up and say that the difference between Okha and Aden is only ½ per cent. Therefore I must try and explain to the merchants. The prejudice that has been created against Indian salt by others in their own interest I want to remove.

President.—It will be the business of the marketing organisation.

Mr. Walchand.—Unless I have a controlling voice, who is going to fight for me. It will say that the Calcutta market has always been paying Rs. 3 more for Aden and Rs. 3 less for Karachi, Okha, etc., and if Aden has the preponderating voice in that organisation or if it has its nominee as the chief selling man, he will always insist on the three rupees difference.

President.—It is precisely for that reason that I am suggesting that the manufacturer should have no voice in the marketing. The manufacturer will simply supply the salt.

Mr. Walchand.—That is my difficulty. He will always put me at Rs. 3 less because the market has been used to it for the last 50 years.

President.—I am giving you a price at your works which is a fair selling price either for you or for Aden provided that it is of the Aden quality.

Mr. Walchand.—On the contrary I was thinking whether it would not be better for the manufacturer to get into direct touch with the consumer, by establishing agencies throughout, not only in Calcutta but also in the mufassal.

President.—That means competition against other salt including Government salt. You cannot eliminate that.

Mr. Walchand.—Government will not sell any salt in our territory.

President.—Where?

Mr. Walchand.—In the territory that we have been talking of, it is all imported salt.

President.—Government salt can penetrate much farther than you can.

Mr. Walchand.—I don't think that in order to kill the country's private manufacture they will expand.

President.—I want you to think over this point because it is very important if you pin your case down to this duty.

Mr. Walchand.—I think that a marketing organisation is rather premature.

President.—What is the use of the duty which you have proposed, unless it is made effective?

Mr. Walchand.—There is one emergency.

President.—It is a very serious emergency. It is not to be brushed aside lightly. If you can get over it, there is no question before the Board.

Mr. Walchand.—How is it intended to work the marketing agency?

President.—The marketing agency will have a right to all the salt. It will buy all the salt. If Government interferes at all there is nothing to prevent Government saying that. You will sell this salt to the agency.

Mr. Walchand.—The other thing is simpler.

President.—There is no use putting forward a scheme which is liable to be evaded.

Mr. Vakil.—There is one thing against this agency. Various manufacturers can come to the agency and say I am prepared to sell it at 10 rupees less.

President.—The Indian manufacturer has the first bite. The Indian manufacturer gets a certain rate which is considered his fair selling price. If there is over-production amongst Indian manufacturers then the agency will have to tender for it and the balance will be purchased by the agency from outside. Take the Oil Trust for instance. That is how it works. Oil is manufactured in India. They buy all the oil that is produced in India. Then they say "India requires so much oil; India can supply so much.

They get that and the balance they get from outside. Foreign oil comes in only to the extent to which India cannot supply.

Mr. Walchand.—They have not been successful because last month Richmond oil has come.

President.—We will say it should be prohibited except through this agency and therefore the manufacturer is protected because he gets his fair selling price; you protect the consumer because his price will not be unduly high.

***Mr. Walchand.*—Is this to be a private organisation?**

President.—I have not worked out the details yet but it will be an organisation which will be in sole charge of the sale of salt. I don't know yet whether it is going to be a Government monopoly or not. I have not gone as far as that. My idea is that unless there is somebody who is in a position to control the whole market you cannot stabilize prices. Supposing the other schemes fail for the reasons I have stated, if the Government is really serious in its intentions, Government must do it or say we won't do it. I first want to know what you think about it before we go further. These other schemes we have discussed are open to objection. They will not succeed in enabling you to stand on your feet for a long time without Government doing a great deal more than they will do by way of tariffs.

Mr. Vakil.—Is it to be a permanent institution?

President.—It will be like a public utility company.

Mr. Walchand.—And Government will go on renewing its monopoly as long as it deserves it?

President.—Yes, because otherwise you cannot stabilize prices in such a way as to enable this industry to start without frequent interference with the tariffs.

Mr. Walchand.—Anything in the way of marketing does not stabilize prices.

***President.*—It will. This marketing organisation will pay you the fair selling price at your works.**

***Mr. Walchand.*—That will give me the costs *plus* percentage whether I** am efficient or not.

President.—There can be no question about the quality: that can be prescribed. We say fair selling price of a certain quality of salt at the works is to be, say, Rs. 10 per ton and that is liable to be revised every five years or 7 years so far as you are concerned but the agency's price need not be disturbed at all.

Mr. Walchand.—We will think over it when we go back.

President.—It is no use going on with the other things until we are **in a position to see how the industry will stand in the event of its getting** this assistance and it is for that reason that I am anxious that you should consider this aspect of the question as soon as possible. I hope you have **grasped what kind of thing I am after. First** of all let us look at it as a principle. If it were agreed that the principle is sound then we proceed further, but if the principle is objectionable we don't proceed any further. I am sure you will agree that the quality that can be prescribed. Where our proposals broke down in the match industry, was the quality. It is impossible to prescribe the quality in an article like matches whereas in **this case you can say it shall contain so much sodium chloride, etc., Bombay salt should contain 15 per cent. dust and so on. If you have not grasped the points in the proposal you can have a discussion with me.**

Mr. Vakil.—The weakest point in the proposal is just as you say the standard—what standard the conference should adopt to declare its price.

Mr. Walchand.—The standard will be based on what is being sold today in Calcutta?

President.—The Tariff Board fixes your fair selling price at a particular point and you are not then concerned with what the agency does with the

salt it buys. It is your duty to provide salt of the quality that is sold in the Calcutta market. You will get a certain price at a particular point, whether f.o.r. works or f.o.r. port to be decided afterwards, but you will get a price that will give you a certain return in the ordinary way in which we calculate. After that he may sell your salt as table salt or anything he likes without saying from what locality it comes. You will have nothing to do with that. The agency will sell only two or three qualities of salt without saying what locality it comes from provided it is of the quality that is consumed in Calcutta.

Mr. Walchand.—For salt containing 98 per cent. sodium chloride the price is settled by the Tariff Board at say Rs. 75. Then the marketing agency goes to Malabar, Karachi or Aden and says Okha will supply 20 per cent., Aden 38 per cent. and so on. Whatever deficiency there is he makes good from say Barcelona. Now we will be raising our production and next year you give me 25 per cent. next year 30 and so on. Is that the position?

President.—There will be no percentages.

Mr. Walchand.—In the first year immediately the marketing agency is formed Aden has got 38 per cent., remainder is the balance left to India. Aden having money and having experience may well say "in three years' time my production will be 76 per cent." and in that case we shall be left out entirely.

President.—My terms of reference are such that I cannot exclude Aden as it is a part of British India. In the case of Okha the point is rather stretched, and therefore I cannot exclude Aden any more than I can exclude Okha which is not a part of British India.

Mr. Vakil.—If when tendering we quote a rate which is lower than Aden then the whole 100 per cent. may come to us?

President.—But there is Aden which is part of British India.

Mr. Walchand.—I was trying to think that out. You consider, let us say, Jamshedpur as the best place for pig iron you consider other places uneconomical. I say I will start at Chanda or Katni. In that case the Government or the Tariff Board are not entitled to say that Chanda is inherently uneconomical, can they?

President.—It is for that reason that we have got to consider what price you are going to get. Supposing you are going to get the f.o.b. price. In making a comparison the marketing organization will have to take into account the cost of distribution from the nearest point to which your salt can be taken. Therefore if a man manufactures say in Kashmir, even if his quality was the same because it will cost the marketing organization Rs. 50 a ton to carry the salt to Calcutta, therefore his price is Rs. 50 *plus* 10 against your Rs. 20 *plus* 10=30, and so it goes out.

Mr. Walchand.—To put it more bluntly the chances are of the non-Aden and Indian manufacturers being ousted, the imports from non-Aden areas being prohibited.

President.—You cannot treat Aden differentially. Certainly Aden is entitled to the same rights as British India.

Mr. Walchand.—Salt is an article of daily necessity. Supposing there is another war and Aden is cut off, India will have to go without salt. On the other hand if the salt works in India are equipped to produce the required quantity, then they have the advantage of transporting salt by rail wherever it may be required and the country will not have to pay Rs. 400 or go without salt.

President.—In that case Aden will go out. The cost of transport will go up so high that when the prices are compared, Aden cannot come in.

Mr. Walchand.—In that emergency it will be difficult for Karachi or Okha to build up the equipment to produce the quantity required.

President.—How can you differentiate?—Then Aden will say that it is no good being part of the Empire.

Mr. Walchand.—We have had a very serious emergency which prevented any of us being benefited from Aden owing to this daily requirement. We will say: "You are welcome to keep to your 38 per cent." We will give you that, but not beyond that because we consider that we ought to be self-contained as regards our daily requirement free from any sea trouble.

As regards hurricane-lanterns the military people are purposely encouraging Ogale factory. These hurricane-lanterns are either German or American. In the case of a war they cannot get these lanterns which they must have under any circumstances. They will rather pay Messrs. Ogale Brothers more, because they want the industry to exist. The same applies to salt in the case of an emergency and it did occur which was not imaginary and in which we had to pay Rs. 400. I would say in that emergency that I want the continent of India to be self-contanied. At the same time I do not want to penalise Aden. I say "You will carry on with 38 per cent. and I can give you 5 per cent. more if necessary".

President.—You have got very good substitutes.

Mr. Walchand.—For salt.

President.—Yes. Before the war it was very different. You have got these Government properties. You have got Khewra salt mines and Sambhar. Sambhar could produce 400,000 tons. Therefore that question doesn't hold good now as it was before the war.

Mr. Walchand.—If Aden is ready to develop to-day 50 per cent. or 60 per cent., Okha will be equipped to produce 40 per cent. When an emergency arises, you cannot expect Khewra or Sambhar or Okha with all their resources in a month or two to go up to the full requirements.

President.—What would you suggest?

Mr. Walchand.—I don't want to penalise Aden. Let them have 38 per cent. If you think that there is little expansion, etc., we will give them 40 per cent. and tell them that the balance of 60 per cent. must be on the continent of India.

President.—That is a point we will consider of course. I have just put it on broad lines.

Mr. Walchand.—We don't want to raise that big question at all.

President.—You are entitled to say if the Tariff Board recommended that salt should be manufactured in a certain place that Aden has these disadvantages, we are prepared to consider it. It is doubtful whether the Tariff Board will say that salt should be manufactured in any particular area. It is merely concerned with the production of the quality of salt which the market requires.

Mr. Walchand.—Reading the Assembly debate we thought they all along meant continent of India.

President.—The debate is not part of our proceedings.

Mr. Walchand.—We will consider the marketing organisation.

Mr. Vakil.—Why do you restrict delivery *ex*-works? It would pay us much better to deliver at Calcutta.

President.—Any marketing company which buys 200,000 tons of freight can get better terms than you. It can control the freight better. That is the idea.

Mr Vakil.—I wanted to know why delivery should be made at *ex*-works.

President.—Because the freight must be got as cheaply as possible. You will get better freight rates for 200,000 tons than for 10,000 tons.

Mr. Walchand.—It is immaterial to us how it is carried.

President.—It will be taken by the shortest route at the cheapest cost. For that reason it is important that the marketing organisation should have control of the freight also to that extent.

Oral evidence of Messrs. KAPILRAM H. VAKIL and WALCHAND HIRACHAND, continued on 9th November, 1929.

Mr. Walchand.—As regards the marketing organisation I have been thinking over it. I would like to recapitulate to see if my understanding is correct.

President.—The first point is do you agree that the principle is a good one for meeting the situation.

Mr. Walchand.—Yes. I understand that it will operate in this way. There will be a public utility company.

President.—It may be an agency Company.

Mr. Walchand.—It will be treated as a public utility company not making more than a certain percentage.

President. Or it may be the Government itself.

Mr. Walchand.—We as commercial men would advocate always for less Government interference, less Government handling of business.

President.—I agree with you.

Mr. Walchand.—We will also say that because they have got this monopoly their profits should be restricted. They should not be allowed to make anything more than reasonable say 7 or 8 per cent. That Company will have under its agreement with the Government that it will be the only company to import salt in India. Secondly that company shall buy the output from Indian and Aden salt works as long as they can consume, as long as it is less than the imports.

President.—And if it is of the quality.

Mr. Walchand.—Yes. That organisation shall first buy Aden and Indian manufacturers' salt at a price fixed during this enquiry by the Tariff Board. The balance they will buy in the cheapest market in the world. It is immaterial whether they buy it from Port Said or Cheshire. That meets a very important object of dumping or from going below Rs. 62 and it will also prevent our going back to the Assembly every time. When India produces the whole of the requirements they should not import any outside salt at all. When there is over-production then they buy in India, including Aden, from the cheapest market from amongst these people: the survival of the fittest. When there is over-production the Tariff Board rates go overboard. That means when we produce 7 lakhs as against 5 lakhs wanted.

President.—Except as regards the maximum. Supposing these people combine and they don't want to sell at that price, then it is open to the Government to import.

Mr. Walchand.—Or compel them to sell at the price fixed by the Tariff Board.

President.—It will come to the same thing. Government will say "we will buy in the cheapest market".

Mr. Walchand.—It is a very important question. That public utility company according to my ideas will be a public limited liability company on which Government will have a Director with powers to veto.

President.—It may be necessary for the Government apart from its power to veto to reserve itself the power to interfere to any extent.

Mr. Walchand.—Judging from our experience in the past Government have rarely exercised. In the case of railways the vetoing Director has very rarely exercised his powers.

President.—It will be very real power in this case.

Mr. Walchand.—What I meant was we behaved so well that the Government Director had not the occasion to use his power of veto.

President.—It may be due to the agreement. It may be by statute giving the Government power to make rules as may be necessary to keep the Agent under reasonable check.

Mr. Walchand.—I agree. There might be manufacturers' representatives and there might be the Assembly or consumer's representatives as Directors according to their position in that company.

President.—It is not advisable as a matter of fact to have the manufacturers represented for this reason that the question of quality comes in and they are not the best judges.

Mr. Walchand.—He may be in the minority.

President.—You see what has happened here (Bombay salt sample shown). Owing to no control whatsoever it is muck.

Mr. Walchand.—As regards quality the chemists and the Government analysis are there. The shareholders will choose their Directors who will be in the majority subject to the statutory or vetoing powers and the manufacturers will have one Director.

President.—That is a detail. The thing to do is to reconcile the interests of the manufacturer with that of the public. The manufacturer should have stability and the public should also have stability as regards prices, quality and so on.

Mr. Walchand.—Yes primarily to meet the difficulty that is raised by frequently going to the Tariff Board if the price goes down below Rs. 60 and secondly to stabilise the price and assure the public that they can always get salt at a fixed price.

Mr. Vakil.—You were just now saying that the interests of the manufacturers should be reconciled with that of the public. Why should you make it compulsory for the consumers of Bengal and Burma only?

***President.*—That is a question of policy with which we are not concerned.**

Mr. Vakil.—In other Presidencies the rates are very high.

President.—That is a question between you and the Government of India.

Mr. Vakil.—I am referring to Bombay.

Mr. Walchand.—That question doesn't arise at the moment. As regards the fine quality table salt we have made a grievance of it. We are told since then that the Government of India are agreeable to allow us to import the refined table salt and the Customs Authorities are being consulted as to the framing of the rules, etc. That restriction is being removed.

President.—That question is between the Government of India and the Indian States into which we can't go now.

Mr. Walchand.—I will put this before my Board and when we next meet we will let you know.

President.—I can tell you this much that as you know there are various exporters from foreign countries. By foreign I mean non-British countries and there are certain vested interests. Government is entitled to create a monopoly in any article that it likes and work itself and no foreigner can really complain, but when it hands it over to a private company and differentiates, there may be complications. It is for that reason I was suggesting that in the first instance it would be better if Government considered it as a Government monopoly reserving to itself the right to hand it over to a private organisation at some subsequent date.

Mr. Walchand.—Where does the differentiation come in if every country has the right.

President.—Therefore it is much better if the Government was the first agency. I am just putting this point for your consideration in order to minimise the resistance that you may have from outside interests. I am just drawing your attention to the fact that there may be complications of which we are not aware. For instance in the chemical enquiry we discovered that there was an agreement with France by which a certain duty only can

be imposed on copperas. Things like that may exist about which we have no knowledge. It is for that reason I am drawing your attention to the fact that it may be just as well to remember that the easiest way under such conditions is for the Government to say " All right, we shall work it ourselves or subsequently hand it over."

Mr. Walchand.—When you refer to the easiest, the Commerce Department don't want to saddle themselves with any responsibility. They would rather be glad that somebody else does it.

President.—That ought not to be their attitude.

Mr. Walchand.—It has been so. They don't want to be saddled with the management of any more commercial concerns. Very unwillingly they took over the railway management.

President.—Do you think that a public utility company of sufficient standing would come forward?

Mr. Walchand.—As regards men, yes. As regards finance, at the present moment we want liquid finance, that is, working capital.

President.—It will require the whole of the capital required for marketing, freight, etc.

Mr. Walchand.—As regards personnel, I think we will get the best men. There are Indian gentlemen that we can lay hands on. As regards the working capital there should be no difficulty. When I discuss with my Board later, I shall be able to tell you something more. Is there any other information that you want?

President.—There is one point which I should like to tell you. The aim that we must have in view is the marketing of salt at the smallest price. That is the object.

Mr. Walchand.—Yes.

President.—Therefore you must remember that part of this demand for imported salt in some parts of India may be merely artificial. Because there is no other salt imported, it is in the interests of the retailers and of the wholesalers to push a certain quality of salt. For instance, there is the whole of Bihar and Orissa. In such parts, it may be possible to supply a kind of salt that the people would use. It may not be necessarily this fine crushed salt. It may be possible for the marketing organisation, for instance, to market Khewra salt in places whether it would be more expensive to import this salt into Calcutta and distribute it along the railway line. That is a point that has to be borne in mind. Take the Sambhar salt, for instance. They do not object to Sambhar salt. If the railway freights are such that it can penetrate eastwards it will be the duty of the marketing organisation to put that salt on the market.

Mr. Walchand.—Would it not be better to restrict yourselves to the imported salt in these three ports rather than include Sambhar and Khewra?

President.—On their own merits they may do. The freight from Calcutta westwards beyond a certain point is very great whereas the freight from Khewra or Sambhar is not. As regards the quality of salt there is no objection on the part of the consumer to buy that salt. Why should he not get the cheaper salt—that is one of the points that have to be considered. Part of the imported salt may be substituted by the other salt manufactured in the country.

Mr. Walchand.—Not till we produce 5 lakhs of maunds we want to capture the markets and substitute the imported salt by our own locally made salt.

President.—We do not know how salt is distributed. The point is this. There is Calcutta at this end and there is Khewra at the other end. There is Sambhar somewhere in the middle. Now we have telescopic rates. All these salts would begin with the highest rate. The imported salt or your salt will begin with the highest rate in Calcutta, Sambhar salt in Sambhar and Khewra salt in Khewra. But as they travel a longer distance they get the benefit of the telescopic rate, which reduces the cost of transport. At a

certain point they meet where there is no objection to the country-made salt being sold below the price at which Okha or any other imported salt could be sold, provided the consumer has got no objection. The idea is that the salt must be taken from the cheapest centre of distribution to the market which would consume that salt; otherwise there would be competition between this monopoly, Khewra and Sambhar which may not lead to satisfactory results. It is much better to arrange the market in such a way that the cheapest salt is sold in every market, considering freight and other things.

Mr. Walchand.—They have their natural markets. The markets have been earmarked.

President.—If there is one single marketing organisation it can so arrange things that it can place the salt from the nearest source in that market. This is a point that you will have to consider later on.

Mr. Walchand.—What I was thinking of was this. I would rather begin with the marketing of 5 lakhs of tons than undertake the management of a huge organisation which will involve too great a responsibility and liability. As soon as the 5 lakhs of tons have been catered for, then the question of handing over Khewra or Sambhar might be taken up.

President.—The position is this. In the Peninsula you have got Madras and Bombay. They don't come in at all because there are many local complications. As regards the whole of Northern India, the field is quite clear for the Government to put it on a sound footing. Therefore once you admit this principle of marketing as regards Calcutta, you cannot escape that. Otherwise there may be competition.

Mr. Walchand.—We will work in co-operation: that is understood.

President.—It will raise the price of salt unnecessarily if it has to be carried over a long distance.

Mr. Walchand.—I will put it to the Board. The main idea is rationalisation.

President.—You take it from the nearest source.

Mr. Walchand.—Yes, cheap marketing by doing away with half a dozen agencies which are doing this work and thus avoiding all over-lapping.

President.—That is what we are considering just now. Those are the broad lines. Do not bring in too many details at this stage. First concentrate your attention on the principle.

Mr. Walchand.—I agree.

President.—The first point is whether it would lead to better results; secondly, what are the main features that you must have in view. As regards the details, until the thing has been got going, you cannot really definitely fix them. You might mention any difficulties which might arise from the business point of view.

Mr. Mathias.—For example, some firms might possibly want to keep their particular brands of salt on the market—that sort of difficulties if there are any, and how far they could be met.

President.—The thing to aim at is to have as few qualities as possible. You have this table salt; then there is the fine white crushed salt—two qualities or one quality—and then there is uncrushed salt.

Mr. Walchand.—That is easy, Mr. Mathias. Out of the 38 per cent. if you restrict or exclude the Italian works which comes to 24 per cent., the three Indian firms represent only 14 per cent. There are no great vested rights—brands or labels or anything of that sort.

Mr. Mathias.—The matter on which I would like your opinion is this: whether from the trade point of view, you would prefer to have on the market your No. 1 Okha?

Mr. Walchand.—If we are going towards rationalisation and later on towards nationalisation, we must begin with rationalisation. We will have

to eliminate those things. We will say No. I is 99 per cent., No. II 98 per cent., and so on.

Mr. Mathias.—On those points, the trade opinion would be very valuable.

Mr. Walchand.—Yes.

President.—Somehow in certain parts of Bengal, they have been led to believe that the dirty salt is better than the crushed white salt.

Mr. Walchand.—Not better. Widows believe that it is purer or something of that sort.

President.—What about that class of salt?

Mr. Walchand.—If the man's or woman's superstition or fad makes him want to eat 25 per cent. dirt then time and education alone can cure him or her of that kind of thing.

President.—We cannot have any excise barrier between the Peninsula and Northern India.

Mr. Walchand.—We do not expect that.

President.—If Bombay continues to send that, you will have to pursuade the consumer not to eat that salt.

Mr. Walchand.—I don't think that we need be afraid of that. After all Bombay may send only five or ten lakhs of maunds more at the most.

President.—On the basis of sodium chloride that salt is very dear, being only 88 or 87 per cent.

Mr. Mathias.—Actually the Bombay salt commands a higher price in the Calcutta market than your salt by about Rs. 10.

Mr. Walchand.—Yes. The other point that has set me thinking is this point about Aden. Rightly or wrongly we all believe that to-day or to-morrow Aden will slip out of our hands—portion of it has already slipped—and will be taken over by the Foreign Department or Colonial Office. In the circumstances the more advisable course would be to compensate the vested interests at this juncture. The vested interests are there and have to be compensated. It seems to me that it would be better for all concerned to compensate them for whatever they have spent there and to encourage them to start here at Maurypur near Karachi or somewhere else. A similar problem faced the Indian Mercantile Marine Committee and they recommended that one of the two vested interests should be bought out. That was their official recommendation.

President.—Would it not be better if this was done by this Company?

Mr. Walchand.—Which company?

President.—The marketing organisation.

Mr. Walchand.—It will have to restrict itself to marketing.

President.—The question of compensation is a very difficult one. They will want their goodwill.

Mr. Walchand.—As far as I understand, the amount involved will not exceed Rs. 15 or Rs. 20 lakhs.

President.—If the question of goodwill is brought in, the question becomes intricate.

Mr. Walchand.—Goodwill must be based on past earnings. In the case of land acquisition what do we do? We do not merely consider the earning capacity that is not merely the market price of the transaction but various other considerations. In a similar way, the question of compensation can be dealt with. If they are left as they are, after a few years Aden might be taken over by the Admiralty and it might become a non-Indian colony. At that time we might not have the same sympathy as we have now. That risk is there for them.

President.—It would be rather premature to consider that point now. The better course in that case would be this. Supposing we fixed a certain fair selling price for them, that would only give them a reasonable profit on

their investment. Therefore no question of goodwill can then arise. They are entitled merely to the equivalent of what they would get if their salt was purchased at a particular price. If you start with that now, they will be able to show that their selling price was very much greater than they are likely to be paid under any scheme that this Board might put forward. Therefore the claim for compensation may be much bigger now.

Mr. Walchand.—It might be better business to wait. Even allowing for that I think that it would simplify matters if we were to compensate them now. Perhaps it would cost us five or ten lakhs of rupees more but it would make the continent of India free from those risks.

President.—You may raise that point too and we shall consider it. Now let us deal with the replies to the questionnaire. We won't be able to finish all the points but we shall deal with some general points.

Mr. Walchand.—We presume that we have given you very full information.

President.—It is very interesting. I have no doubt that it will be of much use to us. Now let us take the answer to question 4 of our questionnaire.

Mr. Walchand.—I want to correct that. While drafting this we lost sight of the other works, the Madhi works, altogether. That works being stationed in Mithapur, the headquarters of the colony, we can produce 60,000 to 70,000 tons at Mithapur and an equal quantity at Madhi.

Mr. Mathias.—The second works has to be constructed?

Mr. Walchand.—No. Our last consignment was from Madhi.

Mr. Mathias.—Do you contemplate starting a third works?

Mr. Walchand.—No. I will explain the position. It is operating there but we are not working Madhi full swing because it means additional freight of a rupee, and two additional handlings for crushing. It is 20 miles beyond, and we cannot afford to have a whole crushing plant and other arrangements in two places. So we get the salt from there to Mithapur which is 7 miles from the port, unload it, crush it and then re-load it. That means a handicap of one rupee extra freight, two handlings 6 annas and 2 annas for loss during the handling, supervision, etc. Therefore we have not done much in Madhi this year, but after a month or two as soon as Mithapur is in full swing we may start with Madhi in a small way.

Mr. Mathias.—You talk of increasing the output: is it for Madhi?

Mr. Vakil.—No, it is for Mithapur.

President.—At present you think you can manufacture about 120,000 tons?

Mr. Vakil.—Yes. That is our annual capacity of the two works.

President.—I was telling you the other day about the risk of overproduction. It is a real risk. Supposing Aden gets its 200,000 tons?

Mr. Walchand.—You mean including the Italian works?

President.—We must assume for the moment that Aden gives India 200,000 tons. Karachi is willing to produce 200,000 tons; that is what it claims. You must remember that Burma is not necessarily a market for you because Burma may make her own arrangements within Burma. That question must be considered. The total demand cannot be put at much over 500,000 tons at present, I am talking of India proper. We do not know yet how much of this salt goes into Bihar and those parts which as I was trying to point out might be supplied by Khewra. Therefore there is also that uncertain factor which we have got to determine as to how far Khewra salt can come down. Supposing the North Western Railway feels that it will get more traffic by lowering its rates it may make it possible for Khewra salt to come 300 or 400 miles east of Cawnpore. Therefore the available market so far as India proper is concerned may not be even 300,000 tons.

Mr. Vakil.—May I point out to you that the object of my selecting the Okha site was to supply Bengal incidentally but primarily with some other object.

President.—Your primary object is to start some other industry?

Mr. Vakil.—That comes in when that contingency arises of overproduction. By that time our organization will be complete and we can switch on the extra quantity to the other.

President.—That is a different matter altogether. I am just trying to draw your attention to the risk which I constider is real of overproduction, or at any rate overequipment.

Mr. Vakil.—We have provided for all this in our scheme so that overproduction will not arise, in our case at any rate.

President.—The market is very limited. Supposing Calcutta wants 200,000 tons and Burma makes its own salt and part of the Bihar market is supplied by Khewra, which is not impossible, then as far as I can see what remains is very much less than what you thought.

Mr. Vakil.—Long before that contingency arises we will have found out other uses for the utilization of our salt and gradually we would come to a point where we shall be independent of our surplus production so that the contingency in our case will not arise. There is no other site which can say that as confidently as ourselves.

President.—I can't express any opinion on that. I am just trying to put the position before you as it appears to me.

Mr. Walchand.—We have sunk capital only for 120,000 tons. We say in case protection is given and the market is assured then only we will sink more capital in order to come to 450,000 tons. To-day with the 550,000 tons *plus* the potential elimination of the *kuchru*, it is 750,000 tons. If the biggest claims are conceded, namely, 70,000 tons of Burma, 200,000 tons as the maximum including the Italian manufacturers of Aden, 150,000 tons as the maximum claim of Karachi, or a total of 420,000 tons, that leaves a balance of 280,000 tons.

President.—It just balances.

Mr. Walchand.—No. It allows our works to be duplicated if not trebled. This margin we can utilize in the by-products. The biggest manufacturer is coming to India to investigate. That takes a big block off our hands. But it will take some time. We personally believe Maurypur cannot go on any further economically. It cannot stand that. But even assuming Maurypur wants to have 120,000, there is this 280,000 and our demand is only for 120,000 with which under the present circumstances we shall be quite satisfied.

President.—This also assumes that Aden cannot produce more.

Mr. Walchand.—If it can produce more we are going to allow that salt to come unrestricted?

President.—Supposing Aden said—I think in one of the representations they say so—that they can double the output.

Mr. Walchand.—I think that if the Tariff Board thinks it wise or reasonable to allow the duplicated output to come in that will defeat the whole object of the enquiry, namely, to make the continent of India self-contained.

President.—The terms of reference are quite clear and you must not import language into the resolution, Mr. Walchand. I am referring to the forgetfulness which you are liable to when you refer to the Resolution. The terms of reference are quite clear. How long would it take you to produce 65,000 or 70,000 tons?

Mr. Walchand.—The factory is just about to be completed. During construction we have already sent consignments, but the operations will begin in about six or seven days and we expect our monthly output to be 5,000 to 6,000 tons.

President.—In determining the fair selling price the Board has got to make an estimate of the output. Would it be safe for the Board to assume that the costs may be calculated on an output of 60,000 tons?

Mr. Walchand.—We have assumed 60,000 as the unit for the present.

President.—For the next two years?

Mr. Walchand.—Yes, at the Mithapur works.

President.—We take a unit.

Mr. Walchand.—Then it is 120,000 tons for Mithapur and Madhi.

President.—Supposing you work both, are you in a position to get the full output?

Mr. Walchand.—This year the output may be short but next year we will give you 120,000 tons. We have not done anything there because of the handicap of Re. 1-8-0.

President.—We can fix different prices for Aden, Karachi and Okha, but supposing we don't then we have got to take a unit which will be reasonably large and whose cost would be reasonably low. In that case there are units at work in Aden which do not come up to anything like 120,000 tons and therefore it may be unfair, supposing Aden was allowed to have the same rights as the rest of British India, to base our estimate on a unit of 120,000 tons.

Mr. Vakil.—We suggest a unit of 60,000 tons.

President.—Below that would be uneconomical?

Mr. Vakil.—Yes.

President.—Then the Aden people will say each of them will produce at least 60,000 tons to make out an economic unit.

Mr. Vakil.—All the works are producing about 60,000 tons except Little Aden.

President.—There are four works there altogether?

Mr. Vakil.—Yes. The Italian works are the biggest producing about 120,000 tons.

President.—That leaves only 80,000 tons.

Mr. Walchand.—After all the cost of manufacture *ex*-works is a very small item.

President.—I quite agree with you but this Board has to take into account even the smallest item in its report and therefore it is advisable to consider at the very outset what ought to be regarded as reasonably economic unit.

Mr. Vakil.—Various other considerations come in and for this reason we consider 60,000 tons per year or something like 16 lakhs of maunds as a fairly representative unit.

President.—We will consider that. I just wanted to know what your opinion was.

Mr. Vakil.—The unit is determined not only by the productive capacity of the works but by also the size of the shipment. When we have to compete with Port Said or Spain or the Italian works, we have got to consider the size of the unit and also the size of the shipment that we have. Part cargo will never pay salt works to send. He must send his salt in the same size of shipment as his competitors. Only then he gets a favourably low freight.

President.—We understood the other day that it was the tendency in the salt trade to take part cargo. The thing about salt is that if you have part cargo when the ship happens to be going empty for the time being, you get very low rates. That is why salt freight is so low. For instance, a ship is about to sail and it has not got all the cargo, you say " all right we will give you 12,000 tons of salt " and it accepts it.

Mr. Mathias.—At ballast rate.

Mr. Vakil.—We can show you from month to month what big shipments are arriving in Calcutta. Those statistics will show the size of the shipments of salts that are arriving there. From that you will find that the four or five principal suppliers there are in a position to compete simply because

their shipments are big shipments. These are the salt market reports that are issued by the Customs department.

President.—If you can get this information for us it will be very useful. They simply say *ex*-ship but that does not mean that it is one ship, does it?

Mr. Vakil.—We can get it for you from the Calcutta Port Trust.

President.—You can always get part cargo. Mr. Lieberherr told us that it was cheaper because the ships preferred it.

Mr. Mathias.—Your idea is that it would be cheaper to charter a whole ship.

President.—The whole point is this according to your statement you may have a time charter.

Mr. Walchand.—Yes, time charter, or voyage charter or parcel freight. If she has got one hold free, 800 tons can be shipped.

President.—But that is a matter of chance. You are safest with a charter party.

Mr. Walchand.—Time charter is the best.

President.—Time charter is at a competitive rate.

Mr. Vakil.—It is more or less a steady rate. It fluctuates between 3½ and 4½.

President.—Therefore for the time charter it has got a world market.

Mr. Vakil.—Yes.

President.—It has got to come from the Baltic. It depends on where you pick it up.

Mr. Mathias.—That is the freight which you refer to in your note at the end of the appendix.

Mr. Walchand.—Yes.

President.—I am not sure that you have calculated the time charter freight correctly.

Mr. Vakil.—We have calculated it with the assistance of a steamship company.

President.—I should like more evidence on that point, because the calculation of time charter is not so simple as it looks.

Mr. Vakil.—People who are doing it have given it.

President.—Anyhow we will assume for the moment that you have taken everything into account. If you were to depend on part freight, you would be in a very uncertain position. You may not get it when you want it and also at the rate at which you want it.

Mr. Walchand.—A steamer going to Karachi has got 3 holds full and one hold empty. She cables "The standard rate is Rs. 7-8-0". Then she must have that 800 tons.

President.—That is a disturbing factor.

Mr. Walchand.—We base on Rs. 7-8-0 always. But these are additional economies.

President.—We will discuss that when we come to freight. Your view is that unless you have a unit of 60,000 to 70,000 tons you cannot make suitable arrangements for the freight.

Mr. Vakil.—Yes.

Mr. Walchand.—We can make better arrangements if we have a steamer load.

President.—I understand the steamship companies do not make long term contracts.

Mr. Walchand.—12 months and 3 years also.

President.—Then they have these qualifying conditions as to what happens when the cost of coal goes up and when there is a strike or various other things.

Mr. Walchand.—In the time charter we find the coal.

President.—Supposing you had this marketing organisation and if that organisation asked for tenders in the open world market for freight quotations for 400,000 tons between such and such a port, would it get more favourable rates?

Mr. Walchand.—No.

President.—Why not?

Mr. Vakil.—In the open market the tonnage is too small to be considered.

Mr. Walchand.—If it is for 400,000 tons it is bound to get a better freight.

President.—It should in the ordinary course.

Mr. Walchand.—If there is a ring or some shipping companies refuse, they have got the alternative of chartering Swedish steamers which are the best, because they run economically and captains and staff are low paid. They are always on the tramps. We can charter them for voyage or time charter.

President.—If you buy freight on a large scale the chances are that you will get them at a lower rate than if you offer a smaller cargo.

Mr. Walchand.—Certainly. In the other case we don't offer. They offer. If they have a hold empty, they ask us whether we can fill it in and it is an additional saving to us.

President.—This three years chartering cuts both ways. It would not be safe to have it for more than a year.

Mr. Walchand.—I think we have reached the bottom. It is better for both parties to have 36 months as against 12 months, because the initial loss is then distributed over 36 months.

President.—This can only be done when you know definitely what the Indian production is going to be.

Mr. Walchand.—You mean the marketing organisation.

President.—The Indian production itself. First year they start with 100,000 tons, second year 200,000 tons, third year 300,000 tons, and so on. Then the marketing organisation cannot get the best rates. It will only get best rates when it offers 400,000 tons.

Mr. Vakil.—For this reason we should be allowed to make the delivery at Calcutta and not at the works.

President.—We will consider that point afterwards. There are obvious difficulties. You acquire a certain vested interest in this business. If the marketing organisation steps in, you would want compensation and a thousand and one things as you have built your business in the Calcutta market. All that the Board would avoid. I have been trying to understand your process. The idea is that you want the largest output in the shortest time.

Mr. Vakil.—That is so.

President.—By eliminating as far as possible solar evaporation.

Mr. Vakil.—Quite so.

President.—Instead of the whole process lasting 6 weeks or two months you may reduce it to half that period, that is to say, you will have partial solar evaporation until you get certain density of brine and then you will expedite the process.

Mr. Vakil.—Up to a point we are dependent on the sun.

President.—At what point do you start?

Mr. Vakil.—At about 24° baume.

Mr. Mathias.—You expedite the process by spraying through the nozzle.

Mr. Vakil.—Yes. The evaporation is merely by exposing a surface to the air. The air absorbs the water just as sponge absorbs the water. If I have got one square foot on a flat surface that much water can only be absorbed

by the air which means that evaporation is very slow, but if I split it up and make it 50, by spraying it to the air, the air absorbs 50 times more and the acceleration of the evaporation is made.

President.—You start with the normal density.

Mr. Vakil.—Yes, somewhere about 3·5. I am referring to Mithapur only. At Madhi the conditions are entirely different. The Madhi works are brine works and not sea works.

President.—We will start with Mithapur. Your density is about 3·5. From 3·5 you have got to go up to 24°.

Mr. Vakil.—Yes, that is the saturation point.

President.—Then you follow the ordinary method of evaporation.

Mr. Vakil.—No. There is what is called static method and the flow method. They are entirely different.

President.—What method do you follow?

Mr. Vakil.—Static is the old method. We follow the flow method.

President.—That is to say, gravitation.

Mr. Vakil.—At every time the water is flowing from one section to another.

President.—By gravitation.

Mr. Vakil.—Yes.

President.—That of course helps evaporation. What I wish to know is how many days do you take to get up from 3°·5 to 24°.

Mr. Vakil.—That depends on what depth of water you run. We continuously draw 24° and 3°·5 comes in and therefore the question of time doesn't arise. It is only when the initial start is made it takes two months. Once the starting is made, that time question doesn't arise at all. It is a continuous flow.

President.—What is the rate of evaporation. You have calculated at 0·25 inch.

Mr. Vakil.—Yes, then the depth comes in.

President.—Supposing in your works you have most suitable arrangements, what is the rate of evaporation?

Mr. Vakil.—0·25 of an inch per day.

President.—But in the pans?

Mr. Vakil.—One half. That doesn't come into the calculation at this stage.

President.—Supposing you had regular brine wells where you have brine at the saturating point, you start with an advantage having this brine.

Mr. Vakil.—Yes.

President.—I want to know what your disadvantage is compared to the man who gets the brine ready made.

Mr. Vakil.—I am better off. I have so constructed my works that the continuity is maintained throughout once it is started. If I started in 1924, from 1926 to 1928, I shall not have to interrupt. I am better placed than the brine supplied man, because at the point at which I pump up my brine, I shall have throughout the year a concentrated brine.

President.—We will leave this out altogether. You start with 24°.

Mr. Vakil.—For practical purposes I start with 24°. From 24° I take it to the spray plant. At the spray plant I accelerate the process 40 to 50 times more than any other salt maker.

President.—What is the saving in time?

Mr. Vakil.—It is not the saving in time. I am saving in space saving in handling. I am aiming at the highest quality.

President.—Supposing a man starts making salt by the ordinary process and finishes it after he has got this 24°, he will take a certain amount of time before he has extracted his salt.

Mr. Vakil.—Yes.

President.—In your case what is the economy of time?

Mr. Vakil.—I am 50 times quicker than he is.

President.—That is to say, where he will want 50 acres, you will want one acre.

Mr. Vakil.—Yes.

President.—That is due to the fact that you atomize your brine at this stage.

Mr. Vakil.—Yes. I don't want to be misunderstood on this point. It is not the only reason which has guided us in the adoption of this process. The greatest difficulty in salt manufacture in India and in the Tropic of Cancer is the dew which begins at 7 o'clock and continues right up to sunrise. What has been done during the day is undone at the salt works during the night. Supposing if I were to depend only on the sun and if my acreage has brought up to 2 tons during the day, at night the dew will come and dissolve nearly ¼ or ½ ton.

President.—Is this a continuous process? Do you work at night?

Mr. Vakil.—No. What we do is we take the fullest advantage during the day. During the day when the dew is not there, we produce 50 tons and at night the dew operates.

President.—The brine gets weakened.

Mr. Vakil.—Yes, and the salt begins dissolving. That is only the result of our research work for the last several years and that we have found with the greatest difficulty.

President.—At what stage do you get rid of the impurities?

Mr. Vakil.—We take it to 29 and pass it on to magnesia chloride works. From 29 to 36 we again spray it and we give it to Pioneer Magnesia Works.

President.—They are establishing a branch.

Mr. Vakil.—Yes.

President.—You extract only magnesium chloride?

Mr. Vakil.—Pioneer Magnesia Works will extract magnesium chloride but on the programme we have bromine and potash salts.

President.—That is very small quantity.

Mr. Vakil.—In the British Empire there is not a bromine factory and the British Government would be glad to take any quantity that you offer to them.

Mr. Mathias.—You claim that by your process you will get more salt out of a given amount of brine.

Mr. Vakil.—Certain percentage is fixed. You cannot get more.

Asphalt crystallising beds.

Mr. Mathias.—I understand that in some of the primitive salt works the brine is run away before all salt is extracted.

Mr. Vakil.—If you run it at 29, you cannot extract any salt.

President.—The wastage is due to percolation.

Mr. Vakil.—Yes.

Mr. Mathias.—If there is no percolation, you get more salt.

Mr. Vakil.—Yes. Ours are perfectly watertight. We have made them of asphalt—bituminous asphalt.

President.—That is very expensive.

Mr. Vakil.—Yes. That is why we have spent Rs. 2 lakhs whereas others would have spent Rs. 10,000.

President.—Is there no substitute? You have cement.

Mr. Vakil.—Cement is a compound of calcium and the sea water contains magnesium. They are the worst enemies and one would try to drive off the other. Calcium will simply be driven off and the surface will become spongy.

President.—Is there no way of adapting the cement?

Mr. Vakil.—There is a way out of it.

President.—That is what I am asking you.

Mr. Vakil.—Cement is a costly proposition.

President.—You get it next door.

Mr. Vakil.—Even then asphalt is cheaper than cement.

President.—I do not know. What coating have you to use?

Mr. Vakil.—Our asphalt coating is about an inch.

President.—Have you any foundations?

Mr. Vakil.—Yes, we have. That too again is a very interesting point. You must have heard of the Dead Sea concessions given by the Colonial Office and the rebuilding of the whole of Palestine from the concessions' royalty. That royalty is nothing else but what we are paying at Port Okha. The Dead Sea was originally a sea and it has gone on evaporating, leaving the brine at about 24°. There before the concessions were operated, the Colonial Office tried all sorts of devices of making beds so that the quality of salt that comes out is really chemically pure. Then after trying all sorts of devices they gave it up. There is no right royal solution. In one of my investigations I had seen these asphalt beds.

President.—In France?

Mr. Vakil.—Yes.

President.—The French have a practical monopoly of Trinidad Asphalt.

Mr. Vakil.—Yes, and also near California and San Francisco. I tried to get the secret which they had worked out of making these beds. Let me tell you that only after spending Rs. 45,000 to Rs. 50,000 we were able to get that result. Messrs. McKenzies, Limited, the experts in asphalt, did surface after surface. They established themselves at Port Okha. (They represent the Trinidad Company.) They came there, and sent their expert staff. Two years after we worked, we have got to the bottom of making these beds.

President.—What I want to know is whether there is any foundation.

Mr. Vakil.—Yes.

President.—How deep do you go?

Mr. Vakil.—We do not go deep. We level it and on the level we put in rubble and roll it down and put in 2" and then we put in our special composition.

President.—That makes it water tight.

Mr. Vakil.—Yes.

President.—As well as free from impurities.

Mr. Vakil.—Yes.

President.—It does not give any impurity of its own.

Mr. Vakil.—No, it gives salt which is practically chemically pure.

President.—Does that apply to your other beds?

Mr. Vakil.—Only crystallisation of beds.

President.—After you have got 24°.

Mr. Vakil.—Yes.

President.—After you have commenced your spraying process.

Mr. Vakil.—Yes. There are no pans, but big reservoirs.

President.—What bottom have they?

Mr. Vakil.—Clay bottom.

Mr. Mathias.—The first set of pans are made of asphalt.

Mr. Vakil.—Yes.

Mr. Mathias.—The brine passing over these deposits part of the salt and enters the Circulating Tank and from there it is sprayed.

Mr. Vakil.—Yes.

Mr. Mathias.—You have certain asphalt beds before.

Mr. Vakil.—Yes, and the reason is that we want to make use of the solar agency to the maximum extent. When we pick it up, the brine is not fully saturated and we let the whole water go on shallow surfaces where certain oxidisation takes place; the pink algae is the troublesome part in matching our quality with the Liverpool quality.

Mr. Mathias.—Some salt is deposited in the first pans.

Mr. Vakil.—Yes.

Mr. Mathias.—That salt is pinkish.

Mr. Vakil.—Yes.

Mr. Mathias.—Your best salt will come from the spray.

Mr. Vakil.—Yes.

President.—This must have cost you a lot of money.

Mr. Vakil.—Whatever we have spent, we have given you the figures to the pie.

President.—How long is it going to last—the asphalt bed?

Mr. Vakil.—These beds are very hard.

President.—I know.

Mr. Vakil.—There are certain items like maintenance and so on which we have included in the costs. No one has been able to manufacture high grade salt on clay beds.

President.—We have seen specimens.

Mr. Mathias.—On what basis do Grax manufacture?

Mr. Vakil.—On the cement basis. I understand.

President.—How is it that they use cement?

Mr. Vakil.—It is not our business to advise them.

President.—Practically it comes to this: it is solar evaporation.

Mr. Vakil.—Up to a certain point, it is.

President.—With certain adaptations.

Mr. Vakil.—Yes.

President.—This involves crushing.

Mr. Vakil.—Yes.

President.—Is it more or less accretion system after you have sprayed?

Mr. Vakil.—Yes.

President.—You get it in big lumps.

Mr. Vakil.—Yes, between that stage and the crushing process. We have now completed our research work on that. We have come to a point at which by the installation of refinery we can bring it up to the Liverpool standard.

President.—That is afterwards.

Mr. Vakil.—That is in between the point of lifting the salt in a lump state from the pans and the crushing point.

President.—What I want to know is at what stage?

Mr. Vakil.—Between the lump stage and the crushing stage.

President.—You will crush the refined salt.

Mr. Vakil.—Yes.

President.—There are processes in which you don't have this.

Mr. Vakil.—That is vacuum process.

President.—There are other processes where they do not crush at all.

Mr. Vakil.—Perhaps that is boiling process.

President.—Simply salt comes out of any grade that you want.

Mr. Mathias.—That is boiling *cum* vacuum process.

Mr. Vakil.—Yes, that we can do ourselves.

President.—If you try to.

Mr. Vakil.—The cost will be high.

President.—It all depends.

Mr. Vakil.—It is a boiling process. It does not depend on anything else.

President.—You see you quicken the process.

Mr. Vakil.—For every ton of coal by the ordinary boiling process you get two tons of salt.

President.—This (Hadgkinson's) process gives 5 to 7 tons.

Mr. Vakil.—That I am prepared to take up with any expert. It is all wrong. Four and a half tons is the maximum quantity obtained from a ton of coal.

President.—Even if you take 4½ tons—I am considering a place like Puri—then Puri becomes a possibility.

Mr. Vakil.—That is the reason why we have selected Puri.

President.—Formerly in your report you turned everything down.

Mr. Vakil.—No.

President.—Supposing you employed that process there and you got 4½ tons of salt to one ton of coal, the cost of coal will only be about Rs. 2.

Mr. Vakil.—Yes, but there is depreciation.

President.—You save about Rs. 5 on freight.

Mr. Vakil.—They will not give you at less than Rs. 8-8-0 a ton.

President.—I calculate that your total cost would come to Rs. 13 or 14. On the other hand, Rs. 8-8-0 would include everything.

Mr. Vakil.—Yes.

President.—Therefore the relative total costs of taking it to the centre of distribution may be very much lower than yours.

Mr. Vakil.—That is one of our considerations of our going to Puri.

President.—That may destroy the value of your works on the other side.

Mr. Vakil.—No.

President.—Why not?

Mr. Vakil.—The Calcutta market has two kinds of salt—punga and karkatch.

President.—We contemplate a case in which quality won't come in. There will be only crushed salt. Therefore if a man starts in Puri and uses this or some other process by which by the use of coal he gets rid of the climatic defects, he may manufacture for six months.

Mr. Vakil.—All I can say is that he cannot make it cheaper than we can.

President.—He can market it much cheaper than you can.

Mr. Vakil.—What he gains in freight we gain in solar evaporation.

President.—The difference is very great. The difference between your freight and his freight is Rs. 6 or 7.

Mr. Vakil.—There are limitations.

President.—He does not necessarily take the whole lot to Calcutta. He takes some to Calcutta.

Mr. Vakil.—At present "he" is ourselves.

Mr. Mathias.—You have not undertaken at Okha any refining of salt.

Mr. Vakil.—No.

Mr. Mathias.—That is expensive.

Mr. Vakil.—Slightly expensive.

Mr. Mathias.—What does it work out per ton?

Mr. Vakil.—Twelve annas to one rupee per ton.

President.—Now I understand the reason for your anxiety to get the c.i.f. price. But I take it from you as an expert that you don't consider it as impossible technically speaking to make salt on the east coast.

Mr. Vakil.—How can I consider it like that?

President.—Every one including yourself up till now has said that it would be uneconomic.

Mr. Vakil.—My opinion is quoted even by the Government. My opinion is not that salt cannot be made.

President.—It cannot be made economically.

Mr. Vakil.—It cannot be made economically because the capital cost is high.

President.—It does not matter what the capital is provided the final cost including the cost of transport is cheaper. You may have Rs. 10 as capital but in the long run it may be more expensive than if you had Rs. 1,000 as capital, so that capital is merely a relative term. The whole point is: taking everything into account, is it not possible to make salt on the east coast?

Mr. Vakil.—There is a point beyond which it is not possible.

President.—What is that point?

Mr. Vakil.—According to the 1917 book, the storm belt ceases at Puri. North of Puri the storm belt is so strong that you can never be sure of salt being manufactured. Any time nor'wester may come and wash everything away. South of Puri you get a calm belt. Even five miles make all the difference.

President.—I agree. I am not disputing that the limiting factor is the climate.

Mr. Vakil.—The good climate begins at Chilka and goes right down to Tuticorin.

President.—South of Puri it would be possible if cheap coal was available.

Mr. Vakil.—Yes, it would be possible. From Ganjam down to Tuticorin there is not a plot available. It was not available in 1917. The whole of that area has been practically taken up by the Madras Government.

President.—That is a small point. I am not considering who has got the ownership. I am asking you whether there are any technical difficulties in the manufacture of salt on that side of India provided you get your coal at a reasonable price.

Mr. Vakil.—There are no technical difficulties.

Mr. Walchand.—It can be economically done provided the question of transport is solved.

Mr. Mathias.—Is not Ganjam liable to violent storms?

Mr. Vakil.—Please refer to the tables given on 11 of the 1917 book. The number of rainy days is a very serious factor against salt manufacture.

President.—It is a question of plant?

Mr. Vakil.—Yes, and it is also a question of lay-out.

President.—You can intensify the production and manufacture for, say, six months.

Mr. Vakil.—The intensification comes only after 24°.

President.—From brine under 24° you will never be able to make salt?

Mr. Vakil.—No.

Mr. Mathias.—You will have to bring it up to 24° by solar evaporation? That means that in a place like Puri with 62 inches of rain in the year.

Mr. Vakil.—Yes, in Puri the season will be very short. What I am trying to make out is that technically the salt proposition is a good proposition but the season will be extremely short. Take for instance Bombay. With about 80 to 90 inches of rain fall the season is practically four or five months.

Mr. Mathias.—Would you mind explaining this particular point when we are at Okha?

Mr. Vakil.—Yes, I have got all the materials there.

President.—I put this question specifically to Mr. Strathie and the Collector of Salt Revenue, Madras, whether there was any area near Puri where you can get coal within 300 miles where you can manufacture salt and the answer was 'no' because of the climatic conditions.

Mr. Vakil.—This book is a reply to that. In 1916-17 when the price was Rs. 400 Tatas wanted to put up salt works. In that connection I surveyed the whole of the east coast and Government was behind my survey and lent the services of two salt experts, Mr. Gooch and Mr. Kilby. They were associated in our enquiry. First of all we prepared this and there is voluminous information on their and our enquiries and we all of us unanimously came to the conclusion, which conclusion was accepted by the Government of India and the Government of Bihar and Orissa, and on that conclusion a monopoly was granted to us (Tata's) for the supply of salt to Bengal and Bihar and Orissa. Then two years ago I again approached the Bihar and Orissa Government and they have now agreed to revive the concession in Okha's favour with certain other conditions which are now under discussion between us and that Government.

President.—I am glad to hear this, because I don't mind telling you that in the literature we have read your own opinion is quoted against the possibility of manufacturing salt in Bihar and Orissa.

Mr. Vakil.—That is up to a point. I will explain it at Okha. That is up to Puri and the tract in possession of the Bihar and Orissa Government is only 30 miles long.

Mr. Mathias.—The proposition regarding Chilka was never proceeded with?

Mr. Vakil.—The Chilka proposition we rejected, but then the whole point was that Tatas had carried on surveys and some other companies wanted to join them. Then there was some internal difference of opinion and we (Tatas) had to give up the monopoly.

President.—At that time the process you had in mind was different from your present process?

Mr. Vakil.—It was the Hodgkinson process. Since then we have gone into the merits of it not only with experts but even with Sir Thomas Holland and I and Sir Thomas Holland came to the conclusion that the Hodgkinson's process did not offer any greater advantage than 4½ tons and that could be obtained by non-patent processes. There was another thing against the Hodgkinson's process and that is that he wanted a heavy royalty. Certain American and English salt makers had adopted this process but gave it up because of the royalty and they could not get a production of more than 4½ tons.

President.—The whole thing has to be examined in a very different light. At that time the price of salt was very high, the price of coal was very high and there were other factors.

Mr. Vakil.—These things we are ourselves going into. These processes are now obsolete. The vacuum process and Hodgkinson's process are obsolete. There is now what is called the vapour recompression process and that is stated to be the most economical process. It is a French process.

President.—That must also be a patent process?

Mr. Vakil.—No. Vapour recompression process is now an open thing. You can take it from two or three different makers but the research work has been done by the P. & B. Evaporators Company.

President.—That is where this organization (the Utility Company) will come in. It will encourage the production of salt in that place from which it can market the salt most economically.

Mr. Vakil.—We shall be too glad to help that organization.

President.—That is one of the things you have got to consider that the object must be to get salt from the nearest point.

Mr. Vakil.—We assure you that we have not overlooked that contingency and our company has been actively pursuing this matter; where Tatas left it we took it up.

Mr. Walchand.—But for this enquiry Mr. Vakil would have been in Bihar now.

President.—But this has been going on for a long time.

Mr. Walchand.—Give us our 3 annas and to-morrow we start!

Labour.

President.—As regards labour one of the objections put forward was that you cannot increase the supply of salt in Karachi because the 'lunaris' were so few that you would not get any more of them.

Mr. Vakil.—We don't require professional 'mulangis' or 'agarias' or people of that class.

President.—Because this plant of yours doesn't require any skill?

Mr. Vakil.—It requires only mechanical or engineering skill.

President.—That is to say, he has not got to determine when the salt has got to be stored?

Mr. Vakil.—Yes.

President.—So that it is purely simple ordinary manual labour that you require?

Mr. Vakil.—Yes. There is a certain amount of *mukadami* required, I mean a man goes round and sees that the colour is not pinkish and so on. But one man over a lot of half an acre would be sufficient.

President.—To the saturation point what impurities do you take out?

Mr. Vakil.—We take out only calcium carbonate and calcium sulphate or gypsum.

Mr. Mathias.—At what stage are they taken out?

Mr. Vakil.—In the reservoirs.

Mr. Mathias.—Are they drained out?

Mr. Vakil.—They settle down to the bottom of the reservoir.

Mr. Mathias.—Then you allow the water to flow to the next one?

Mr. Vakil.—Yes.

President.—How do you get the calcium carbonate out?

Mr. Vakil.—It naturally settles down.

President.—It is heavier than the other?

Mr. Vakil.—Yes.

Mr. Mathias.—Did you not say that you require labour to remove the calcium carbonate?

Mr. Vakil.—The labour was in the salt crystallisers where what happens is this. During the night the solubility is lower, that is to say the substances remaining in the brine to a slight extent will come out in the night like a thin film and a keen observer once he has been told what to remove from the surface can attend to half an acre for this work.

President.—You don't give the number of men employed by you?

Mr. Vakil.—That depends upon the quantity produced.

President.—Supposing you are working to full capacity?

Mr. Vakil.—For 60,000 tons I shall require about 200 men.

President.—These would be unskilled labour chiefly?

Mr. Vakil.—Yes. Any able-bodied man would be sufficient for me.

President.—Your interests are in conflict with the interest of the people. who are starting this!

Mr. Vakil.—How is that? To-day the outcry is that the labourer always gets an occupation but the university man doesn't get an occupation.

President.—Are these 200 men chiefly university men?

Mr. Vakil.—No, but the top line men are educated.

President.—Who are these 'mulangis'?

Mr. Vakil.—In different places they are called 'agarias', 'mulangis' 'lunaris' and so on. They are salt manufacturers.

Mr. Mathias.—The total number of your labour is 200 for 60,000 tons?

Mr. Vakil.—Yes, but I am not committing myself on that. Supposing I used lifting tackle and so on I will require less.

Mr. Mathias.—Does that include loading and stacking, etc.?

Mr. Vakil.—Everything. The whole thing is how many handlings have been provided in the works. If in other works there are seven and I have five, then I score over the others. In my salt works I have reduced handling to the minimum.

Mr. Mathias.—Your handling at the pier, is that included in this 200?

Mr. Vakil.—No, that is different.

Mr. Mathias.—This is at the works only?

Mr. Vakil.—Yes.

Mr. Walchand.—And one works only, at Mithapur.

President.—I wish to see what handling facilities you have got because it is a very important thing. The cost of manufacture at the works is Rs. 1-4-6 per ton. That is practically nothing, and you want a bounty and do away with that even!

Mr. Vakil.—They say in Gujrathi that 'a cocoanut is free at the top of the tree', but I have to pay 2 annas when I buy it!

President.—As regards analysis (question 7) it is not merely analysis with which we are concerned but it is pure white salt. Your salt may be 100 per cent. sodium chloride but it is a little pinkish.

Mr. Vakil.—That you can't get away from.

Quality.

President.—We are concerned with the kind of salt which the Bengali takes.

Mr. Vakil.—He takes my salt without the slightest objection side by side with Aden.

Mr. Mathias.—Your salt as at present produced would have to be crushed. You still have to refine it.

Mr. Vakil.—We don't do it. Aden doesn't do it.

Mr. Mathias.—At present it is fine white crushed salt of the Aden quality.

Mr. Vakil.—Yes.

President.—Will there be any objection supposing this marketing company or Government said "we don't believe in Aden, Okha or Port Said qualities. We simply say 'white crushed salt' and we sell the whole lot"?

Mr. Vakil.—You mean you mix up the qualities.

President.—Aden salt is also white crushed. So far as the consumer is concerned, he will not be able to tell.

Mr. Vakil.—No, he will not be able to tell. Do you mean you are not going to fix the standard specifications?

President.—Standard specifications yes, but not as regards localities. We don't want to advertise any one particular salt.

Mr. Walchand.—The localities automatically go out.

President.—Can you get a uniform colour?

Mr. Vakil.—So long as its original source is sea water, you can get uniform colour.

President.—That is the colour which the market expects to-day.

Mr. Vakil.—Yes.

President.—Because Liverpool and Hamburg salts which are of different qualities are of a very small percentage.

Mr. Vakil.—17 per cent.

President.—And the rest is solar.

Mr. Vakil.—Yes.

Mr. Mathias.—Imports of Liverpool salt into Calcutta is only 100,000 tons.

Mr. Vakil.—That is gradually coming down.

Mr. Mathias.—It went down in 1926 and it went up again in 1927. When the imports of Liverpool salt go down, the imports of Hamburg salt go up. It appears that there is a certain section of the market which insists on this white salt.

Mr. Vakil.—Yes, there is a certain section. It is for that reason we thought of making punga salt at Puri.

Mr. Mathias.—That is just the point I wanted to know. As the President has said if you were to make one kind of salt, would the classes who prefer at present Hamburg or Liverpool feel the hardship?

Mr. Vakil.—If they had prejudice they would.

Mr. Mathias.—There would have to be one quality of fine table white salt such as the Liverpool salt.

Mr. Vakil.—We can make that too at Okha if we go in for the vacuum process or boiling process.

President.—Supposing you were paid more or less the same price as the Liverpool salt, can you manufacture that same salt?

Mr. Walchand.—Yes. Not only that. We have gone up to the Government of India and the Government of India have already instructed the Collector of Salt Revenue, Bombay, for the admission of refined salt of that quality into Bombay.

President.—At present the proposal is this that Bengal should get the kind of salt that it is getting. It does not necessarily follow that Bengal has got very fine taste. It must be reasonably comparable with the quality of salt that Bengal has been using.

Mr. Vakil.—There is a class called " bhadralok ". They will use punga salt and the other classes will use the solar salt. In Assam the widows will only use this Bombay salt and no matter how cheap you give to them.

President.—When you complete your processes you are still left with calcium sulphate. It increases.

Mr. Vakil.—Yes calcium sulphate practically doubled. By varying the process I can add or reduce calcium sulphate at will.

President.—Do you want calcium sulphate?

Mr. Vakil.—No.

President.—Then why do you add so much more?

Mr. Vakil.—My 100 tons would become 101 tons.

President.—It reflects on the quality of salt.

Mr. Vakil.—The consumer doesn't feel it.

Mr. Mathias.—The Liverpool salt contains more calcium sulphate than yours.

Mr. Vakil.—The best is the Spanish grade.

President.—It is just to increase the weight.

Mr. Vakil.—The whole of these series which you have got here is a series in which there is a heavy percentage of calcium sulphate.

President.—I have got the analysis here. First of all I want to know how this is increased.

Mr. Vakil.—Calcium sulphate precipitates itself with the salt.

President.—·097 was in the brine. That percentage is pretty low when compared to the salts.

Mr. Vakil.—There is also water in the brine.

President.—You probably take 4 times the quantity.

Mr. Vakil.—Yes, three times water and 1 part . . .

President.—So far as Liverpool salt is concerned, there is not much difference between them and yourself.

Mr. Vakil.—Not much.

President.—Magnesium chloride is a very big factor. I suppose it is injurious.

Mr. Vakil.—Not in that proportion.

President.—There is no possibility of eliminating that.

Mr. Vakil.—There is. We do a lot of research work. When you come to Okha next week you will see some of the problems being tackled by my chemists. Now we want to put up that refinery. We can only put up the refinery when we are assured of no competition.

President.—Supposing you took this analysis and described it as the standard. . .

Mr. Vakil.—We shall help you. We don't allow that quality to be made a standard.

President.—Supposing there is less magnesium chloride in it, then you say it is 98 per cent. They must make an allowance.

Mr. Vakil.—Some sliding arrangement must be done.

President.—Yes we must get the minimum limit.

Mr. Vakil.—1·5 is the maximum and the minimum you can go down to is ·2.

President.—Please tell me from the chemical point of view which are the constituents of this. You have got to fix it in such a way that the salt may be otherwise all right in appearance.

Mr. Vakil.—The only thing that one ought to avoid is magnesium chloride

President.—Yours is the highest.

Mr. Vakil.—It is so.

President.—Spanish has got none at all. Apparently Spanish is the purest on these analysis.

Mr. Vakil.—If I were buying on chemical basis, I would pay the Spanish salt more than the Liverpool salt. They don't go on that basis in Calcutta.

President.—Supposing we decide that we must get rid of this and we must get a standard which as regards the appearance will correspond to the average and as regards the chemical contents will not be inferior to the average salt that is put in the market.

Mr. Vakil.—That will be a very good idea.

President.—You will have to give more information as regards that. The Bombay analysis is rather different. What about the moisture? How are you going to regulate that?

Mr. Vakil.—By eliminating magnesium chloride. It is magnesium chloride that draws water and keeps it damp.

President.—We have got the analysis for Bombay. They give moisture as 4·79.

Mr. Vakil.—That is because magnesium chloride is very heavy.

President.—It is less than yours according to this.

Mr. Vakil.—Am I expected to comment on this?

President.—It is public property.

Mr. Vakil.—I would ask from what year's stock was this taken.

President.—It is recent.

Mr. Vakil.—The analysis is recent. But this salt if you stack it in the open and dry it afterwards, all the magnesium will have been gone.

President.—Here they give the moisture as 4·79 and the magnesium chloride as ·6.

Mr. Vakil.—It doesn't say how old the stock is.

President.—The whole point is can we fix the limit by which we can regulate the moisture at the time of delivery to the marketing organisation.

Mr. Vakil.—At the time of delivery samples will be drawn and analysis made.

President.—Therefore it must contain a certain amount of moisture. That is one of the points which is not clear to me. In your analysis you don't make any allowance for moisture.

Mr. Vakil.—No. What is called complete chemical analysis is always made on dry basis. Moisture is a variable factor. That dry basis is taken in metallurgical ores and in all cases where chemical analysis is made.

President.—Therefore we will say when delivery is taken you put it on the dry basis.

Mr. Vakil.—Yes.

President.—Now you have got the marketing organisation. What control can be put on it? Is it to sell on the dry basis? It must be kept under some check.

Mr. Vakil.—In the first instance dry basis and for purposes of valuation say up to 2 per cent. or 3 per cent. moisture could be allowed.

President.—In Bengal there is nothing dry; it is all moist.

Mr. Vakil.—The salt is delivered moist in Bengal. We can put a limit of 5 to 4 per cent. of moisture in the salt.

President.—The whole point is this that the marketing organisation then can sell moist salt. Supposing we said that the price of salt on an average shall not exceed Rs. 75 *ex*-warehouse . . .

Mr. Vakil.—Then we can draw up a special standard for them.

President.—That should have reference to the climate in that particular area.

Mr. Vakil.—Yes, when that stage comes in, a representative of each factory will have to be consulted. We have to tell them that we are adjusting these analysis or standards and whether they have got to say anything as in the case of the Board of Trade's practice. The Board of Trade in England makes standards for all transactions.

President.—For salt?

Mr. Vakil.—For all commodities. Those standards are fixed. In the first instance a tentative analysis is sent round and the representatives are brought together and they come to a common understanding that this analysis will hereafter be taken as the standard to which every one has to comply. If our salt is 1 per cent. and you have made 3 per cent. we will deliver it to you at three per cent. Once we have a standard fixed we go by that standard.

President.—If it is below a certain minimum, it has to be rejected.

Mr. Vakil.—Quite so.

President.—Supposing you had only 80 per cent. of sodium chloride, that goes. We have got to fix a certain minimum limit.

Mr. Vakil.—Yes, just as in the case of manganese ore.

President.—We have got to fix a limit. We are not contemplating that if it is better than the maximum limit the manufacturer gets any adjustment. That is the point. That cannot be done. There are many complications. He can never come to any agreement. Therefore so far as the manufacturer is concerned on these analysis he is bound to provide a standard quality.

Mr. Vakil.—Yes.

President.—What happens afterwards is for the Government or any other body that keeps control over these to say that it shall not fall below these standard, but if it is better, then of course they are entitled to get the benefit of it.

Mr. Vakil.—Yes.

Mr. Mathias.—Would that be tried before?

Mr. Vakil.—That is in our laboratory.

Mr. Mathias.—That is actually dried.

Mr. Vakil.—No, the analysis is taken on the dry basis.

President.—We want the two to be made comparable. We will examine the Chemical Analyser on this point and see what we can make of it.

Mr. Mathias.—In Okha you will be able to produce fine white table salt.

Mr. Vakil.—Yes.

Mr. Mathias.—That will roughly cost you how much more?

Mr. Vakil.—A rupee more per ton.

Mr. Mathias.—That salt will roughly fetch you Rs. 6 more per 100 maunds.

Mr. Vakil.—Yes. The marketing organisation does away with all the difficulties.

President.—These qualities in the bazar are quite fictitious.

Mr. Vakil.—They are arbitrary.

President.—Therefore the first thing to do is to level up the prices or to level them down, and to have as few qualities as possible in the market.

Mr. Vakil.—Yes, the quality must be standardised.

President.—It is the colour about which you cannot prescribe a standard.

Mr. Vakil.—You can prescribe a standard for the colour too.

President.—Who can say whether it is white or not?

Mr. Vakil.—There are scientific instruments for that.

President.—The ordinary consumer has not got them.

Mr. Vakil.—It is the marketing organisation that is going to analyse our salt and it may spend a few minutes more and take the colour test also.

President.—I see what you say. That is to prevent fraud on the part of the manufacturer. What I am now concerned with is the consumer. So far as the consumer is concerned, can he notice the pinkish colour?

Mr. Vakil.—No. It is only the trained eye that can detect it. What I say is that if you are going to put up standards as regards quality you may put up standards as regards colour also.

President.—As regards question 10 (*c*) 'Yield per acre', there is really nothing much to be gained by finding out how much could be produced but you claim you get 817 tons per acre at Mithapur?

Mr. Vakil.—That is for 250 working days.

President.—That is equal to how many?

Mr. Vakil.—The yield depends upon the number of days in the seasons.

President.—That is equal to 30,000 maunds per year.

Mr. Vakil.—This yield per acre for crystallising area is only by solar evaporation, not by spray.

President.—How many acres have you got?

Mr. Vakil.—That does not come into consideration at all with the spray because with the spray we can get a much larger crystallisation.

Mr. Mathias.—Are all these figures for the crystallising area?

Mr. Vakil.—Yes. I have put in these tables as obtained from Mr. Todhunter's figures. My object in giving these figures was to compare the various claims put forward regarding different sites.

President.—On this footing supposing they got the same production, they could produce 200,000 tons in Karachi?

Mr. Vakil.—For crystallising beds one has to determine the ratio.

President.—Supposing conditions are the same.

Mr. Vakil.—If the conditions are the same and the ratio is 1·4 in that case every five acres will give 237. I don't know what method of manufacture they will adopt but I will take the same method as Tuticorin, as among the Indian salt factories the highest yield is at Tuticorin.

President.—Kharaghoda is 429?

Mr. Vakil.—That is brine salt.

President.—Karachi is brine salt?

Mr. Vakil.—The whole of Maurypur is not brine salt.

Mr. Mathias.—At present they are using brine only.

Mr. Vakil.—The brine deposits at Maurypur are entirely different from the brine deposits at Kharaghoda.

President.—On this footing how many acres have you got?

Mr. Vakil.—I have got 10 acres. The spray process is now a secret. Our process cannot be compared now.

President.—Why should we assume that their process would not be the same? These Karachi people are taking expert advice also and it is quite possible that they may not entirely use the orthodox method of solar evaporation.

Mr. Vakil.—We don't know what process they are going to have. So far as we ourselves are concerned we know definitely what we are doing. But they cannot adopt our process.

President.—But they may find some other system?

Mr. Vakil.—We don't know on what basis they will calculate.

President.—Now let us take 'Power' (question 18). Power comes in at what stage?

Mr. Vakil.—For manufacture.

President.—At what part of the process?

Mr. Vakil.—After 24 we reach the saturation point that is the actual precipitation of salt begins and we hasten that precipitation by spraying. My power house is nearly 400 B. H. P., out of that I am using nearly 320 B. H. P. for the manufacturing process.

President.—That is not very much power?

Mr. Vakil.—No but for a salt factory it is a big thing.

Mr. Walchand.—For pumping from the reservoir into the spray system. In Aden they use 30 h. p. and ours is 400. Our pumps are specially built for our use. These pumps take 70 h. p. to operate and the combined capacity is 7,000 gallons per minute.

President.—What else is there in which you use power?

Mr. Vakil.—Crushing the salt. Between these two most of the power is used up.

President.—For handling you don't have any power?

Mr. Vakil.—No.

Mr. Walchand.—Even in Western countries they don't use mechanical means for loading and handling salt. One of the biggest salt factories near

Marseilles they found it better to do away with with all mechanical appliances and depend mainly on manual labour.

President.—60,000 tons in 300 days, that is 200 tons a day, that is not a very large quantity to handle.

Mr. Vakil.—No. Four handlings will require 200 men that I gave you. If we put in the refinery two more handlings will be added.

President.—Handling comes in when?

Mr. Vakil.—When it comes to the kyar, then it is dumped into the tip wagons; from there it is stocked near the mill. There most of the wet salt is drained out and dried; then from there again take it to the mill, then feed the hopper of the mill and discharge it and take it up again from the chute of the mill and stock it again at the delivery platform, and this is where the handling finishes.

President.—You must stock it afterwards?

Mr. Vakil.—Till the steamer arrives we don't load it into the wagons and we only begin filling the railway wagons when the steamer is in the port. The haulage from the kyars to the mill is done by a locomotive at our place that is a distance of about 1,000 feet.

President.—Is this spraying done in the open?

Mr. Vakil.—Yes.

President.—Power is not a very important question.

Mr. Vakil.—It is not. To this extent it is important that power is more or less in competition with fuel in the manufacture of punga salt. In the manufacture of punga salt the highest is 1: 4½ tons here the ratio will be somewhere between 1:12 or 1:15.

President.—That other thing is boiled and this is not.

Mr. Vakil.—That is so but the process is the same.

President.—Boiling removes some of the impurities, does it not?

Mr. Vakil.—That pinkish impurity is removed by boiling. Boiling gives you grain and it does not require milling.

Mr. Mathias.—Your costs are based on solar evaporation only?

Mr. Vakil.—These costs are based on solar evaporation.

President.—Now as regards this salt, I take it a part of this Liverpool salt may be rock salt?

Mr. Vakil.—All these salt mines are in Cheshire. Liverpool itself does not produce salt.

President.—The whole point is whether you take it as rock salt or whether you get it converted into brine before you get the salt, this Khewra salt is purely rock salt. There is no other operation required.

Mr. Vakil.—No. But if you contemplate putting in Khewra salt as such then it cannot be compared in quality with the Liverpool or Hamburg or even with the solar salt. It is very pinkish and sometimes greyish.

President.—How can that be got out?

Mr. Vakil.—That can only be removed by refining as they do in Cheshire or Hamburg and using vacuum evaporators.

President.—That will mean doing the work twice over.

Mr. Vakil.—That is the usual process in all chemical industries, that is purify it by re-crystallisation.

Mr. Walchand.—Sometimes you do get very pure white deposits. But that is an exception rather than the rule.

President.—I understand that salt is pure enough to be placed in the Bengal market, if it can be transported.

Mr. Vakil.—Personally I have not been to the Khewra area so I cannot say anything about it but from the analysis and from what I have learn about

it I think if it has got to compete with Liverpool or Hamburg salt it will have to be refined.

Mr. Mathias.—It will have to be re-dissolved before you could get it whither in colour and that will make it more expensive?

Mr. Vakil.—Yes.

Mr. Walchand.—Someone has said that very near Karachi in Sind there are huge deposits. These deposits are so big that it can supply the whole of India for two centuries. If you like, we shall be pleased to place it before you. It formed a very controversial subject in 1872 or 1878.

Freights.

President.—Coming to the question of freights you assume that the freight would be about Rs. 7-8-0. What I want to get at is the actual cost of transport to Calcutta. It might be safer to assume that you don't get any return freight from Calcutta for the purpose of calculation.

Mr. Vakil.—Supposing we don't get any freight . . . .

President.—In that case you get Rs. 7-8-0. I am trying to ascertain the total cost of transport from the works to the golahs. You have not given any landing charge. First of all from the works to the ship you give a figure of Rs. 1-13-2. Is that right?

Mr. Vakil.—Yes.

President.—Contingency is 7½ per cent. That is wastage and other things.

Mr. Vakil.—There are various items of contingency. Supposing we write to Jamnagar and Dwarka Railways that on such and such a date the steamer is due and they send us say 200 wagons, from the day they deliver the wagons we have got to pay. The steamer arrives very often 3 days or 4 days after we get the wagons. We have got to pay demurrage. All that is included in that 7½ per cent.

President.—You have given again freight Rs. 7-8-0 and contingency Rs. 0-9-6. What are these contingencies?

Mr. Vakil.—On the freight. If we are not ready and if we delay the steamer, we have to pay Rs. 3,000 per day. A reverse contingency arose in our last shipment of 6,000 tons which we sent in July. All of a sudden Jamnagar and Dwarka railways failed to supply wagons because of the shortage of water in Kathiawar. The steamer arrived in port, but there was no salt and the agreement with the B. I. was that if we delayed the steamer a day longer, we had to pay demurrage Rs. 3,000 per day.

Mr. Mathias.—You don't always have to pay demurrage.

Mr. Vakil.—Not always. Either it is the railway or the steamer.

Mr. Walchand.—All round it is 7½ per cent.

President.—Let us take this item contingency As. 9-6. That puts on Board f.o.b.

Mr. Vakil.—You have already taken Rs. 7-8-0 for freight so it is not f.o.b.

President.—Then you have the freight.

Mr. Vakil.—Freight, insurance and shortage in transit.

President.—If you take the whole lot that gives you Rs. 10-6-4.

Mr. Walchand.—Yes, let us make it Rs. 10-7-0.

President.—Now we are at the other end. The first summary gives you Rs. 1-8-0. That is port dues, etc. Is that per ton?

Mr. Vakil.—Yes.

President.—Then what about the landing charges?

Mr. Vakil.—Details are given in appendix. Actual charges amount to Rs. 8-2-0 per 100 maunds.

President.—At the other end your charges are Rs. 3-11-6. To that you add Rs. 10-7-0. That gives you Rs. 14-2-6 or say Rs. 14 a ton.

Mr. Vakil.—Yes.

Mr. Mathias.—These river and port dues and customs duties are included in the freight.

Mr. Vakil.—No.

Mr. Mathias.—In answer to question 24 you say the following charges are payable at the Calcutta port.

Mr. Vakil.—That is on time charter or on through freight rate. In that case they are included in the freight rate.

President.—Is not that Rs. 1-8-0 included in the freight rate?

Mr. Vakil.—Yes some of it.

President.—I calculated at Rs. 13.

Mr. Vakil.—Rs. 14 is very near the mark. Those river dues are paid by the steamer entering the port of Calcutta to the landing place. When the salt is landed the charandars or the small boats carry salt to the *golahs*. Those river dues are payable by the manufacturers.

President.—This Re. 1-8-0 is debitable against you.

Mr. Vakil.—That is included in the Rs. 7-8-0 rate.

President.—Then this Re. 1-8-0 should not be included at all.

Mr. Vakil.—There are two sets of river dues payable. One set is payable and is included in the freight rate quoted.

President.—I want to assess the total transport charges that you have to pay to *golah*, because I want to compare that with the railway freight from the works to the *golah*.

Mr. Vakil.—F.o.b. freight, insurance and wastage *plus* landing charges would come to Rs. 8-2-0 per 100 maunds. That is the charge to be included.

President.—Then only Rs. 2-3-6 has to be added to Rs. 10-6-0.

Mr. Vakil.—Yes.

President.—That comes to about Rs. 12-10-0 or As. 7-6 per maund roughly. What we wanted was merely the charges payable by you. I see that you have given them separately.

Mr. Vakil.—Yes.

President.—If you take it by rail, you will take it from the works to the *golahs*.

Mr. Vakil.—That will determine the economic circle.

Mr. Walchand.—We will have to add to this the average distance to arrive at the comparison from Calcutta to Kharagpur or Midnapore.

President.—Why should we go to Calcutta to go to Midnapore?

Mr. Walchand.—East we can eliminate.

President.—When it has got to meet competition from the West.

Mr. Walchand.—Then we have got to add the average of 150 miles of freight.

Mr. Vakil.—I have got figures to show how much goes to East, how much goes to West and how much to North and South.

President.—You haven't the figures since 1922-23.

Mr. Vakil.—These figures were prepared for me by Mr. Findlay Shirras.

President.—The figures are not in existence since 1922; they have discontinued compiling these figures.

The whole point is this: just now the Khewra salt costs about As. 8 to bring from Khewra to Cawnpore. We will say that it will cost the same amount for that salt to go to Cawnpore as your salt does to go to Calcutta. You start on an equal footing.

Mr. Vakil.—To my mind the competition line is between Allahabad and Cawnpore.

President.—No. It is much nearer this side if they get the through telescopic rate. It is within 150 miles.

Mr. Walchand.—Katni will be somewhere near.

President.—Supposing they get a through rate from Khewra right up to the market . . . . .

Mr. Walchand.—That through rate is $\frac{1}{10}$th.

President.—·11 of a pie. He will start from that end at ·11. You will start from this end at ·38. He will be able to go only 200 miles. Therefore beyond 200 miles you are at a disadvantage compared to him. It is in that area where this Khewra salt could be put on the market. That is the point.

Mr. Vakil.—That is a very small quantity.

President.—We do not know whether it is a small quantity or big quantity. It is a very big area.

Mr. Vakil.—You mean east.

President.—Yes. You meet at a point about 150 miles towards Cawnpore. Then again he can go further up. He can go right up north.

Mr. Vakil.—But the point is would ·11 rate be given.

President.—It is the present rate. It is only a through rate.

Mr. Walchand.—Not for salt.

President.—Yes. ·11 after 600 miles. This only has two lines North Western and the East Indian.

Mr. Walchand.—Both are state managed.

President.—They don't give a through rate, but the East Indian has quoted this rate on its own section for 600 miles. I got figures in the Chemical enquiry.

Mr. Walchand.—That might have been from Calcutta to northwards.

President.—They don't make any difference. Can you give me the market in this area?

It is sodium chloride. Whether it is industrial salt or any other salt I don't know. For the first 100 miles the rate charged is ·380. (Read from the summary of basis of charge for different commidities given by the East Indian Railway).

President.—Whether it applies to this salt or not, I do not know.

Mr. Vakil.—My belief is that it does not apply.

President.—Madras gives a very good rate.

Mr. Vakil.—Madras to Calcutta is I believe Rs. 10 a ton.

President.—That is 1,100 miles. So that is not much. The point is this that at Cawnpore even at the present rates the Khewra salt starts on the same footing as you do from Calcutta. The whole point is how far can you go? As regards further east of Calcutta, you will have an advantage.

Mr. Vakil.—Yes.

President.—As regards that part which lies at least 400 miles east of Cawnpore, you have to cut that out from your market.

Mr. Vakil.—That has to be determined.

President.—I am trying to get the figures.

Mr. Vakil.—I may point out that the charandars' charges in Calcutta do tell very heavily on the salt trade.

Mr. Mathias.—Which charges?

Mr. Vakil.—Charandars' charges. Salt arrives by steamer which stops near the Howrah bridge. From there salt is unloaded and carried to the gholas about one furlong or so on the other side. To carry that salt for every 100 maunds the charge fixed by Government is really out of proportion

to the actual cost of handling and the whole 600,000 tons or nearly 1½ crores of maunds is handled by one company.

President.—Which is that company?

Mr. Vakil.—Messrs. Bird and Company.

President.—They are big cooly contractors.

Mr. Vakil.—Yes.

Mr. Mathias.—Is it done by them or is it done on behalf of Government?

Mr. Vakil.—They have got the contract. They do it on behalf of Government.

Mr. Mathias.—In that respect you stand in the same position as foreign salt.

Mr. Vakil.—Yes. Whoever takes it to gholas must take it through charandars.

President.—That is where the marketing organisation comes in.

Mr. Walchand.—I was also thinking of that. We can effect a saving in charandars' charges.

Mr. Mathias.—Do Government let it out to Bird and Company?

Mr. Vakil.—Yes. The point is this. Government want to carry salt under preventive establishment so that from the point it is unloaded to the arrival in the bonded warehouses, *i.e.*, gholas there should be no smuggling.

Mr. Mathias.—They make no reduction if salt was imported in large quantities.

Mr. Vakil.—No.

President.—Where are these charges shown?

Mr. Vakil.—On page 24.

President.—About half the quantity of salt imported is taken *ex*-ship.

Mr. Vakil.—That is where the conference has a great pull over us.

President.—Has your salt got to go into the gholas?

Mr. Vakil.—We are obliged to carry it there.

President.—Why?

Mr. Walchand.—For these reasons. The older firms have their established connections. They know whether in the 24-Parganas or Barisal or anywhere else what the demand is for a particular fortnight. They come and place the orders straightaway. They know the quantity and they have confidence in them as regards quality. So, they unload it straightaway and send it to the mufassal, thus avoiding these exorbitant charandars' charges.

President.—Straight to the railway station.

Mr. Walchand.—Yes. Those brands are well known and the mufassal merchant is quite satisfied. As soon as they say that it is Aden quality, it goes on. Okha or Karachi quality being new to the market, the mufassal agent wants to see with his own eyes, and so the salt has to be taken to the gholas. Now these people have come to know about Okha and will be abel to take delivery *ex*-ship.

President.—Take the case of a man who can take it direct by rail. He simply takes it as he wants it straight from the works to his market, but here you have to take it and put it in a depôt.

Mr. Walchand.—Not always.

President.—But your salt will have to be put in the gholas.

Mr. Walchand.—Not always. As soon as my customers have begun to have confidence in us as regards quality, the bulk of our salt also will be taken delivery of *ex*-ship and sent to the mufassal by rail. We did exactly the same thing as regards coal for our steamers. In the initial stages we took it from Calcutta, put it into the depôts and then took if off. After

some experience, we find that half the cargo can be transferred from one ship to another. That saves all these costly port charges. The rest we have to carry as reserve and draw upon it as little as possible. Here also we can do the same once the market is known.

President.—Half the salt now goes into the gholas.

Mr. Vakil.—Now 50 per cent. of that goes into the gholas.

President.—Therefore these charges are added to the prices eventually.

Mr. Vakil.—At present the ghola deliveries have increased—I mean that the proportion of deliveries *ex*-gholas is now higher than *ex*-ship. The reason for that is this. Previously the difference beween *ex*-ghola and *ex*-ship was the difference represented by landing and other charges. Now the conference has decided that that difference should be reduced from Rs. 8 to Rs. 3. Therefore the merchants now prefer to take their deliveries *ex*-gholas instead of *ex*-ship because they have only to pay Rs. 3 more—almost the same charges which he would have to pay for *ex*-ship duty paid delivery.

President.—Even now he saves the payment of duty till he takes delivery?

Mr. Vakil.—Yes, but the time is lengthened out for him.

President.—If a man could get it by rail very little money is locked up. He pays the freight when he wants. Here the steamer freight has already been paid.

Mr. Walchand.—In the case of salt freight is not prepaid.

President.—You have to pay your freight as soon as the boat arrives in Calcutta.

Mr. Walchand.—Freight is paid at the destination in all cases, so both are same.

President.—Salt remains in the gholas after freight has been paid. In other case he pays the freight when it is practically removed.

Mr. Vakil.—He takes delivery of it whenever he wants.

President.—As to what that means in money we do not know. It must mean some advantage to him.

President.—As regards prices given in Appendix, those are realised prices.

Mr. Vakil.—Those are the prices prevalent in Calcutta.

President.—Those are the average prices.

Mr. Vakil.—Yes.

President.—They are all right for certain purposes, that is to say if you wanted to know what was the price at which salt ought to be sold in the future, the average would be of help. But the average price does not help us as regards variations in prices. What we really want is the lowest price at which salt has been sold and the highest price at which it has been sold in any particular year.

Mr. Vakil.—I think that Mr. Gangji of Calcutta will be able to give you all the information about prices. So far as I know he is the only man who can give authoritative information about prices.

Mr. Walchand.—What you want to know is to what low limit has the competitor has gone.

President.—And can go?

Mr. Walchand.—Yes. You can get that information from Calcutta. You can also get the information from Messrs. Debendra Nath Mullick and Sons, Calcutta.

Mr. Mathias.—Can you tell me what the reason is for the variations between Liverpool and Aden salt? Why at one quarter there is a difference of Rs. 6 and another Rs. 12?

Mr. Vakil.—When two steamers are simultaneously at the port each one cuts the price of the other and during that time when the two steamers

are there, one from Liverpool and the other from Aden, they do cut each other's prices very materially. If at a particular time say Liverpool salt has arrived and its own golahs are full up and they want to dispose it of from the ship, they reduce their margin heavily.

Mr. Mathias.—Generally speaking the difference between Aden salt and Liverpool salt is Rs. 6. In 1926 Indo-Aden salt was Rs. 74 in the first week of July, Liverpool was Rs. 113, a difference of Rs. 39; next quarter October Liverpool was Rs. 122 and Indo-Aden Rs. 106, and difference of Rs. 16. Then in the previous year Liverpool salt was Rs. 58 and Aden salt was Rs. 52, that is for October, but in July Liverpool was Rs. 70 and Aden 59, a difference of Rs. 11.

Mr. Vakil.—The average comes to Rs. 10 and 12.

President.—This manipulation of the market is very unsatisfactory. You take advantage of temporary conditions. You are hit also by the same temporary conditions when the market is over stocked.

Mr. Mathias.—I imagine if Liverpool salt one week is Rs. 70 and next week Rs. 58 the consumer has to pay at the rate of Rs. 70 or Rs. 80 always.

Mr. Vakil.—It is never reflected on the consumer.

Mr. Mathias.—It will be reflected if the price goes up. It won't be reflected if the price goes down, not for a long time.

Mr. Walchand.—Rs. 5 or 6 per 100 maunds won't affect the consumer adversely, I mean the consumer who buys one seer of salt.

President.—The whole point is that if the price jumps up from Rs. 58 to Rs. 116 as it did, the price then would jump up in the whole market but if it goes down to Rs. 70 in two months' time it will be difficult for the price in the bazar to go down with the same rapidity. That is the disadvantage of the fluctuation in the price of a commodity like salt. I will give you a typical instance. In the last oil enquiry, the wholesale prices were reduced by Rs. 1-8 a unit, but the price did not become effective at all, so far as the bazar was concerned like anything to the same extent because of the middleman.

Mr. Walchand.—Our experience in salt is that salt is treated as a standard commodity to induce the consumer to come in and the shopkeeper compensates himself in other articles such as spices which are not standardized and sells salt at a standard rate of say 6 pice or 7 pice per seer.

Mr. Mathias.—The point is that if the rate fluctuates in varying degrees, jumps up from Rs. 78 to Rs. 100 and then comes down Rs. 60 and up again to Rs. 120, the retailer in order to safeguard himself has got to take some fairly high standard.

Mr. Walchand.—That does not happen in any other area than the Bengal area.

President.—The retailer does not like to take any risk. As soon as the price comes up to Rs. 100 he will try to maintain the price at Rs. 100 as long as he can. When some man complains he say "all right I will reduce it to Rs. 85".

Mr. Mathias.—If you could in some manner stabilize the price at say Rs. 85 probably the consumer would get his salt at a very much cheaper price than he would if the price at one portion of the year was Rs. 80 and at another Rs. 120.

Mr. Vakil.—In the city of Dwarka we were selling salt to the people at 8 annas a Bengal maund. We found that 8 annas per Bengal maund was not meeting our costs properly. Then we raised it to 12 annas. We wanted to know what was the effect on the retail buyer. We made enquiries and found that the prices had not gone up and we were told that they were getting salt at the same rate as they used to get it. Perhaps the retailer makes it up in short weight or some other way.

Mr. Walchand.—Not necessarily in short weight. He wants to induce the customer by a standard price.

President.—There are shops in the Crawford Market where you can sometimes get things very cheap because they will sell it without any profit, even at a loss. Thus he makes a reputation and then makes it up in other things, but as my colleague said just now the retailer will take good care when the price goes up and comes down again to see that he takes his own time over it. Therefore with these violent fluctuations in the Bengal market it must happen that the consumer is paying a much higher price than he would if the prices were stabilized.

Mr. Vakil.—These retail prices are given in the Indian Trade Journal.

President.—I am not satisfied that they are accurate prices. Now, as regards this Conference we hope to get more information and until then we don't want to put to you any questions because your information though it may be correct may be such as they may not accept as correct.

Mr. Vakil.—Yes.

President.—In answer to question 29 you say " We don't deal in retail trade, but we are informed that any change in the Calcutta market due to competition amongst the importers or a change in the customary rates by which we understand the landing and golah charges and the excise duty is not reflected proportionately in retail prices at upcountry stations ". You agree to that proposition?

Mr. Vakil.—That is very well-known.

President.—As regards question 35 what is the position?

Mr. Vakil.—May I point out that although there is a feeling that there is competition amongst Indian manufacturers, we are most emphatic on the point that we are not going to compete with any Indian manufacturers.

Mr. Mathias.—Does that include Aden?

Mr. Vakil.—Aden we take as outside India.

Mr. Walchand.—As I said yesterday there is no further development and as I said I personally and Mr. Kapilram thought that there is nothing further to be done at this stage until we know a bit further as to what is happening as regards protection and as regards actually how much is going to be produced, how much can be produced economically and who can do it. We held the view that any conversation even as regards a conference or co-operation will naturally prejudice the whole issues in the eyes of the consumer and we therefore dissociated ourselves from any conference talk even amongst ourselves at this stage. Yesterday I confused your suggested marketing organization with this. Now we find these two have nothing to do with each other.

President.—We want to get on to the all-in costs now. As regards Mithapur are these estimates or really actuals?

Mr. Vakil.—These are actuals as far as we have been able to give from the three big shipments that we have sent. There is nothing here problematical or on an assumption basis.

Costs.

President.—Do you keep accounts separately under each of these heads?

Mr. Vakil.—We have 27 books.

President.—This "" A " is what you call manufacture.

Mr. Vakil.—Yes.

President.—Manufacturing cost is Rs. 1-4-6 per ton that is 9 pies per maund.

Mr. Vakil.—Yes.

President.—And you want 3 annas per maund!

Mr. Vakil.—This includes no overhead.

President.—Do you maintain regular cost sheets?

Mr. Vakil.—We do.

President.—Are the whole costs made out in your cost sheets like this?

Mr. Vakil.—Yes.

Mr. Mathias.—Are these actuals?

Mr. Vakil.—These are from the statements that I have prepared.

Mr. Mathias.—These are actual statements to the nearest pie.

Mr. Vakil.—Yes.

President.—Mr. Walchand, you have seen the Steel Company's cost sheets which give all the cost as we asked for them. They have got daily cost sheets also and monthly cost sheets and at the end of the year they prepare the annual cost sheets.

Mr. Vakil.—We have exactly the same system. Each book represents an operation. Then there is a summary book in which all the different operations are entered into.

President.—I would like to see how you keep the costs.

Mr. Vakil.—I will show them to you at the works.

President.—This process is very different from any other manufacturing process. Therefore you cannot get costs from day to day.

Mr. Vakil.—You can.

President.—How can you? You don't know what the production is.

Mr. Walchand.—We have found according to our ideas some set of books. We shall show them to you next week when you will be at Okha. If you wish that something has to be added, we will do it. Only now we have got all the forms according to our likes. The forms were prepared on the basis of the Tata's Account suitable to this industry.

Mr. Mathias.—Is it day to day cost?

Mr. Walchand.—Yes.

President. Take the preparation of brine. How can you say As. 2-6 a ton.

Mr. Vakil.—We have got a batch of men dong nothing else but on that particular department and their daily wages are entered into the brine preparation. These accounts are complicated.

President.—I don't dispute that they are complicated. What I want to understand is this: you take steel for instance. Even there they find it very difficult to get very accurate costs though they know the production. It is all finished steel and they know what each operation would cost by means of allocation, but here it is very different. You take the brine and it goes on accumulating.

Mr. Vakil.—This is merely the wages we have got to pay for that particular department.

Mr. Mathias.—On any one day?

Mr. Vakil.—Yes, throughout the season. Supposing we had prepared 6,000 tons and on the brine preparation department we had 10 or 15 men a day their wages will be allocated in the brine book.

Mr. Mathias.—You must have surely taken the average amount and allocated per day.

Mr. Vakil.—We know the daily production capacity and we allocate the daily charge. That is the only item. As regards the other items I can say with accuracy because it is all lifting. I know how many maunds have been lifted.

Mr. Mathias.—On a thing like pans you will have to allocate on an average.

Mr. Vakil.—Yes.

President.—You have not been working long enough. Of course you will carry stocks from previous year's and that you keep separately.

Mr. Vakil.—In this business no manufacturer carries stock so far as my information goes.

President.—Except the Government which carry large stocks.

Mr. Vakil.—That is a different process of manufacture.

President.—It values the stock every year on a certain basis. It is impossible for us to check these different items, that is to say to know whether the expenses are very excessive or not.

Mr. Vakil.—I have given you correct figures.

President.—I am not disputing the figures, but they serve no practical purpose for me to say that your preparation of brine ought to cost As. 2 instead of As. 2-6.

Mr. Vakil.—Let any other manufacturer place it before you. They are not keeping the accounts as we are keeping.

President.—However well you keep your accounts, Mr. Vakil, there is this element: you cannot tell really speaking until the production is completed for a certain period. Therefore the day to day cost cannot help you. In one day you may spend Rs. 5 and another day Rs. 15. Therefore you must get the total expenditure to start with under each head for the whole of the year. Then you have got to take the total output and there is the unfinished process for which you have to make an allowance. All that I don't find here.

Mr. Walchand.—We admit that this is not the criterion. This is after all three shipments for the whole season.

Mr. Mathias.—When is the end of the season?

Mr. Walchand.—May.

Mr. Mathias.—These costs are based on the simple solar process which you are not going to use.

Mr. Vakil.—That may go in our favour or against us.

President.—Even in the case of the Steel Company we found it very difficult to say what the actual costs are.

Mr. Vakil.—Costing system has certain limitations.

President.—I want to know how far we are justified in acting on these costs. I take it at present we cannot act on these. My colleague just now pointed out to you that you are going to change your process. I am not disputing the accuracy of the figures as far as they go. The whole point is these figures don't help us.

Mr. Mathias.—According to your statement there are certain items which will remain constant. For instance As. 2-6 will remain constant and certain items will change.

Mr. Vakil.—Yes.

President.—These costs are so low really speaking that they are not worth bothering about.

Mr. Walchand.—That is so. 9 pies per maund.

President.—Therefore I am not going into those costs in detail. I am simply trying to point out that you will have to give those costs which would really help us. These other costs, I take it, are actually divided by the total output.

Mr. Vakil.—Yes, by 60,000 tons.

President.—You have taken it on 60,000 tons, but you have not produced.

Mr. Vakil.—No. From November our plant is undergoing trials. As I have stated our actual manufacture begins about the end of November.

Mr. Mathias.—So these are really estimates.

Mr. Vakil.—We are actually paying them, but we are spreading them on 60,000 tons.

Mr. Mathias.—Have you started work already?

Mr. Vakil.—Yes. Everybody is there.

President.—Take item I, fixed overhead charges. This is not the form in which we make up our accounts. This As. 8-6 a ton, I take it, is the supervision charge.

Mr. Vakil.—Yes, Managers, mechanics and various other people who are engaged there.

President.—You have taken your total cost under each head and divided it by 60,000 tons.

Mr. Vakil.—Yes.

President.—As my colleague has just now said it is merely an estimate.

Mr. Vakil.—We might require a few more men. We might require something else. The staff is there on the spot who will be able to produce 60,000 tons. The whole of the year's cost has been taken and divided by 60,000 tons.

Mr. Mathias.—In answer to question 66 you say the Head Office expenditure would amount to Rs. 27,000 a year. That divided over 60,000 tons will give a figure of 7·2 annas, but you have taken a round figure of As. 8.

Mr. Walchand.—I have got details of the Bombay office to show how we arrived at As. 8-6.

President.—I understand you are dividing the actual expenses in that way and the estimate may be fairly accurate. You know what staff you are likely to require. Interest on working capital you have put down as As. 4-6.

Mr. Vakil.—That depends on the outturn of work.

President.—There is the interest on further working capital. First of all we want to know how much capital you would require. I take it that you have got to pay the freight.

Mr. Vakil.—We don't pay the freight.

President.—Whether you pay it or not, somebody has to pay the freight and somebody has to pay the interest.

Mr. Vakil.—We pay the interest.

President.—All that must be shown somewhere here.

Mr. Vakil.—That interest given here on the working capital depending on rapidity of turnover. As. 4 includes everything.

President.—That is Rs. 15,000 a year.

Mr. Vakil.—That is so.

President.—If you took it at 7½ per cent., it means Rs. 2 lakhs.

Mr. Vakil.—Yes.

Mr. Mathias.—You have taken your interest and depreciation on the increased capital. If you look at your balance sheet for the year 1929, you will find that your issued capital is Rs. 5,77,760 and your unsecured loans Rs. 70,000. You propose to raise your capital to Rs. 8 lakhs. Surely when you raise it to Rs. 8 lakhs, won't that cover your working capital?

Mr. Walchand.—We have here Rs. 6,17,000 as our fixed capital expenditure on that date. On the other side there is about Rs. 50,000 subsequently to come. I am speaking in round figures so that is Rs. 6,67,000. A lakh of rupees falls short *plus* working capital.

President.—Here you have put down Rs. 7 lakhs as your block value.

Mr. Walchand.—Yes.

President.—We will go into the block account presently. This Rs. 2,00,000 that you have here is the working capital, I think.

Mr. Walchand.—Yes.

President.—That would include freight.

Mr. Walchand.—Yes.

President.—Your production is 60,000 tons.

Mr. Walchand.—Yes.

President.—Your all in *c.i.f.* price is about Rs. 18 a ton.

Mr. Vakil.—Yes.

President.—On a year's turnover you would require Rs. 10,80,000.

Mr. Walchand.—Yes.

President.—But you are calculating on a turnover of three to four months.

Mr. Vakil.—Yes.

President.—In a year you would require Rs. 10 lakhs.

Mr. Vakil.—On the first shipment we got our return after 10 months; on the second shipment after 5 months; and as regards the third shipment three months have gone and yet our accounts are not yet complete. We do not get the realisation straightaway.

Mr. Walchand.—Do you want to know about the ways and means or the interest charges? If it is a question of ways and means, we can draw immediately we put our salt on board the ship.

President.—Ways and means do not matter. I want to know what the cost of it is, because ways and means mean that you may draw against your documents.

Mr. Walchand.—The cost will not be less than Rs. 15,000; it may be something more.

President.—I want to know what is the actual amount of working capital that you will require on the assumption that you market your own salt.

Mr. Walchand.—We have to increase the amount.

President.—This figure of Rs. 2,00,000 that you have given us is on a complete turnover of 3 to 3½ months.

Mr. Walchand.—We have to double that. Rs. 2 lakhs is only from the brine to port.

President.—During the process of manufacture you require Rs. 2 lakhs.

Mr. Vakil.—Yes.

President.—The brine takes three months before you are able to ship it from Okha.

Mr. Walchand.—Yes.

President.—You have got to finance it at the other end, that is to say, from the time it leaves Okha to the time it reaches the ghola and to the time it is disposed of at the gholas. Is that right or not?

Mr. Vakil.—Yes.

Mr. Mathias.—How long is that?

Mr. Walchand.—Three months after it has left Port Okha.

President.—It is a month in transit.

Mr. Walchand.—Yes.

President.—Somebody has got to pay the interest. Part of it is included in the freight. I just want to see what that means.

Mr. Walchand.—Interest on Rs. 4 lakhs working capital will take care of the whole thing.

President.—It is six months turnover if you take Rs. 4 lakhs.

Mr. Walchand.—Say 5 months.

President.—Your block value according to this would be Rs. 8 lakhs.

Mr. Walchand.—Yes.

President.—That is what you expect to spend before you can produce.

Mr. Vakil.—We have already spent Rs. 7 lakhs.

Mr. Walchand.—We can carry on now, but it may be some hardship to the staff.

President.—On Mithapur buildings, etc., you want to spend one lakh more.

Mr. Vakil.—We want to spend Rs. 40,000 to Rs. 50,000 on Mithapur water works.

President.—Is that included?

Mr. Vakil.—Yes, in that one lakh.

President.—That is to say, to get the works going you will have to spend another lakh.

Mr. Vakil.—No.

President.—Do you expect us to take Rs. 7 or 8 lakhs.

Mr. Vakil.—Rs. 8 lakhs.

President.—Are you going to spend Rs. 8 lakhs.

Mr. Vakil.—Yes. That other lakh is a non-productive investment. The manufacturing side is complete.

President.—Anyhow interest has to be earned on that.

Mr. Vakil.—That is so.

President.—As regards items (6) and (7), this is what we call manufacturer's profit.

Mr. Walchand.—We call it dividend.

President.—That comes to Rs. 1-5-6 per ton.

Mr. Vakil.—Yes.

Mr. Mathias.—What are these labour recruiting charges?

Mr. Vakil.—Last year we had to bring labour from outside. When we put up our works, the port was just built and there was no cement factory and so on. Immediately within a year or so, the port was going full blast and the cement company was working full time. We began to feel that about three to four hundred labourers at Okhamandal were concerned by our more wealthy neighbours and the wages went up from eight to eleven and twelve annas. Then we had to look round for cheaper labour and bring it from places like Cutch, Jamnagar, Rajputana, Deccan and so on.

Mr. Mathias.—This is a temporary charge only.

Mr. Vakil.—No, it is not.

Mr. Mathias.—You will have to go on recruiting.

Mr. Vakil.—This is a very floating population, which comes here and goes away. The nature of the work is such that no labourer will stay for more than 6 months. His hands and feet get corroded.

Mr. Mathias.—Does that cost Rs. 7,000 a year?

Mr. Vakil.—Yes, for railway fare and other things. Sometimes we have to give them advances.

Mr. Mathias.—This contribution to welfare, provident and workmens compensation funds, is that a definite fund you have?

Mr. Vakil.—We have created a provident fund. Mithapur is a new place that has been built up. We have to provide medical aid. We have to provide them also with all the other conveniences. We have put up a co-operative society. All these conveniences we must provide at a place like Mithapur where there is absolutely nothing available for miles around.

Mr. Mathias.—Contribution to welfare—what is it exactly?

Mr. Vakil.—Education, postal facilities, water facilities and all sorts of things that we have to provide for them. We have drawn up service rules on a very liberal scale.

Mr. Mathias.—That comes to about Rs. 8,000.

Mr. Vakil.—It may be more.

President.—That completes the works costs.

Mr. Walchand.—No, there are other items under "D".

President.—That is as regards the crushed salt. We will have to separate these items and bring them into line. Depreciation is 12½ per cent.

Mr. Walchand.—Yes, and obsolescence combined.

President.—What is the value of the land?

Mr. Walchand.—It is nominal.

Mr. Vakil.—In that Rs. 8 lakhs we have not put anything for land.

President.—You must be paying something for rent.

Mr. Walchand.—We pay royalty to the Baroda State.

President.—This 12½ per cent. for depreciation seems rather a big figure.

Mr. Walchand.—There is full justification for that.

President.—That means 8 years life.

Mr. Walchand.—Yes. The effect of salt climate on iron and steel machinery is very bad. In five years the Jamnagar Dwarka Railway have to replace all their rails, and they are replacing. Obsolescence also we must provide for. New inventions are coming up.

President.—I see that in the Government costs they do not allow as much depreciation as that at Sambhar.

Mr. Walchand.—In the first place there is no sea.

President.—What about Aden?

Mr. Walchand.—Probably in Aden there is nothing to speak of in the machinery line.

Mr. Mathias.—There they have to pump up the brine.

Mr. Vakil.—In this connection I would like to draw the Board's attention to the Parliamentary decisions and findings when the case was in a similar manner brought before the Parliamentary Committee.

President.—Do you mean the Committee on Profiteering?

Mr. Vakil.—Yes, there they have admitted that heavy depreciation which has to be borne must be taken into account.

President.—What did they allow?

Mr. Vakil.—We have called for actual authoritative practice from Government and Salt Union sources and the replies are coming in. We want to place before you very authoritative statements about that.

President.—This means that you have got to scrap the whole thing after eight years.

Mr. Walchand.—I think we have got a copy of the letter from the Chief Engineer of the Jamnagar Dwarka Railway which supports our view that the salt has a very damaging effect.

President.—The whole point is what is the fair percentage to take? The Aden manufacturers don't put nearly as much but of course admitted that they have written down the value of their block having made big profits.

Mr. Vakil.—There is depreciation and obsolescence. I don't think Aden has dreamt of obsolescence.

President.—Obsolescence I quite understand as regards machinery.

Mr. Vakil.—And also site. Supposing we are in a particular site to-day and to-morrow we find there is a far more advantageous position—

President.—That is not obsolescence at all.

Mr. Walchand.—New inventions may necessitate the scrapping of the spraying plant.

President.—That we shall separate. So far as Sambhar or Kharaghoda is concerned—

Mr. Vakil.—Are they making their salt on a commercial basis. That has been a matter of dispute and comment in the Assembly also.

President.—We will have to consider that.

Mr. Walchand.—We are getting further authoritative information we will show you the rails and wire to the Chief Engineer, Jamnagar-Dwarka Railway, to say what has happened to the rails. I will convince the Board at Okha by occular demonstration.

President.—What about the harbour construction that they have got at Okha?

Mr. Vakil.—I will demonstrate everything there about the masonry work and how the iron and steel work deteriorate there. Port Okha is only two or three years old, but look at the condition of the works.

Mr. Mathias.—What is the depreciation allowed to the Dwarka Cement Company?

Mr. Walchand.—It worked for two years and then went to sleep and it has only started last year and where Rs. 85 lakhs was spent it was bought for Rs. 13 lakhs and re-erected. I think the whole of the roof came down. Since the last three or four months they have started.

Mr. Vakil.—The cement works will be a good demonstration.

Mr. Mathias.—Would you be able to find out if the income-tax authorities have made any allowance for this?

Mr. Vakil.—It probably never went to the income-tax people because it never made any profit.

Mr. Mathias.—What officers are in charge of the golahs?

Mr. Vakil.—I think there are two European officers in charge.

सत्यमेव जयते

Evidence of Mr. H. T. SORLEY, I.C.S., Collector of Salt Revenue, Bombay, recorded at Bombay on Friday, the 25th October, 1929.

Preliminary.

President.—I want to put to you a few general questions before we get down to the questionnaire. Mr. Sorley, you are the Collector of Salt Revenue for the Bombay Presidency.

Mr. Sorley.—Yes, excluding Sind.

President.—How many years have you been here as Collector?

Mr. Sorley.—In this appointment since last February.

President.—You have been connected with salt for some time.

Mr. Sorley.—I was Deputy Commissioner in Ahmedabad in 1923.

Dr. Matthai.—That was before salt was taken over by the Central Government.

Mr. Sorley.—Yes.

Dr. Mathias. -You were in charge of Salt as well as Excise.

Mr. Sorley.—Yes, in those days.

President.—In 1924 Salt has been separated from Excise.

Mr. Sorley.—Yes, from 1st March 1924.

President.—You work directly under the Central Board of Revenue.

Mr. Sorley.—Yes, as far as Salt goes.

President. —What else do you do besides Salt?

Mr. Sorley.—I do land and sea customs. I do light houses and I am also in charge of the coast guard establishment. For customs also I work directly under the Central Board of Revenue.

President.—Are you in charge of Viramgam land customs?

Mr. Sorley.—Yes. I am also Collector of Customs for the outports of the Bombay Presidency excluding Bombay and Sind. There are 75 outports.

President.—Do you collect statistics about the coastal shipping?

Mr. Sorley.—Yes, for our own purposes only.

President.—That is very good. I wanted to know who would give the statistics of coastal shipping to the various ports and from the ports.

Mr. Sorley.—The ports are under our control. We do not however act as official collectors of coastal shipping statistics. These are collected by the Statistical Branch under the Collector of Customs, Bombay.

President.—Do Kathiawar ports come under your control?

Mr. Sorley.—Certain goods coming from Kathiawar go to the outports of the Bombay Presidency.

Mr. Mathias.—Have you got statistics of shipping going into the Kathiawar ports?

Mr. Sorley.—No. This, as far as our outports are concerned, would have to be collected out of the records. We haven't got statistics compiled at present. Possibly the compilation published from statistics collected by the Statistical Branch, Bombay, will serve the Board's purpose. Please see the annual statement of the Trade and Navigation in the Presidency of Bombay.

President.—We want to get some idea of the amount of shipping that is available in these parts.

Mr. Sorley.—I am afraid I cannot give you any definite information on that point. The compilation referred to will help you. But it does not give the figures for Sind.

President.—You can send it to us later on.

Mr. Sorley.—A large proportion of our salt goes by the country craft and not by steamer.

Mr. Mathias.—Can you give us any information as to the freight available at Okha for the export of salt from Okha?

Mr. Sorley.—I have got some figures. The list of consignments so far despatched in bond to Calcutta by the Okha Salt Works is given below by the Chief Customs Officer, Port Okha:—

	Number of maunds shipped.	Number of maunds exported to Calcutta.
9th May 1928 . .	34,571	33,860
14th July 1928 . .	27,323	26,515
25th June 1929 . .	157,045	152,911

The above will show that consignments are despatched at long intervals when the stock is sufficiently accumulated. The Managing Director of the Company arranges with the Steamer Companies' local agents to divert a steamer to Port Okha *en route* from Karachi and fixes the terms. Through a reliable source I have come to know that for the last shipment which was a large one of nearly 6,000 tons the Company paid freight at Rs. 7 per ton. This may be a concession rate owing to the very large quantity. The ordinary rate between Bombay and Calcutta would be about Rs. 7-8-0 per ton. So the normal freight between Port Okha and Calcutta would probably be something like Rs. 8-8-0 per ton. For this particular consignment they were able to get the freight at Rs. 7 per ton.

President.—Who collects the coastal shipping statistics?

Mr. Sorley.—I can give you the arrivals and departures of ships and craft which go to the outports of the Bombay Presidency. As regards Bombay the Collector of Customs, Bombay, is the authority.

System of manufacture.

President.—The question about Bombay doesn't arise very much at present. What is the system of manufacture here? I understand that part of the salt is manufactured by Government direct, is that right?

Mr. Sorley.—Yes.

President.—Have you got the same sort of monopoly system as they have in Madras?

Mr. Sorley.—In most of the salt works the manufacturer makes the salt and we simply collect the duty and credit it.

President.—They have got another system called modified excise under which the Government have got the right to purchase whatever quantity they require.

Mr. Sorley.—In the Surat District the salt is made by the salt workers and the salt is sold for them. We don't buy the salt. The salt is made in Government salt works and is sold through Government for the salt workers themselves at a fixed price as soon as they find a market.

President.—Under the modified excise system the Government have got the right to purchase by giving notice every year any quantity they require and the manufacturer can dispose of the rest as he likes. That system doesn't exist here.

Mr. Sorley.—It doesn't apply to the Bombay salt works.

Dr. Matthai.—As far as sea salt is concerned there is no such control exercised by Government.

Mr. Sorley.—We have got excise restrictions.

Dr. Matthai.—As far as prices are concerned or output is concerned or quality is concerned, there is no attempt by Government to control Bombay

salt. As far as brine salt is concerned, there is, but as far as sea salt is concerned they produce whatever amount they like and they sell whatever quantity they like.

Mr. Sorley.—Yes. But at Dharasna Salt Works (Dharasna and Chharwada Agars) Government decides how much salt should be manufactured each season, as at Kharaghoda.

Dr. Matthai.—What precisely is the point of maintaining Government factories?

Mr. Sorley.—There are historical reasons.

Dr. Matthai.—At present out of the total amount of sea salt that is produced what proportion is produced at the Government Works?

Mr. Sorley.—Roughly we have produced 25 to 30 lakhs of maunds at Kharaghoda. That is not sea salt. The production of salt in sea salt factories is roughly 100 lakhs of maunds. Of this only 8 lakhs are produced in Government factories leased to private individuals. We have a few factories leased near Bombay. 4 lakhs of maunds are produced there. 4 lakhs are produced at Dharasna and Chharwada.

Mr. Mathias.—How many sea salt factories are under Government management?

Mr. Sorley.—Like Kharaghoda we haven't any. The Government salt works at Dharasna (Dharasna-Chharwada) is a very small one. That is in Surat District. We have also leased lands for salt works near Bombay

Mr. Mathias.—What do you mean exactly by "leased"?

Mr. Sorley.—They are in Bhardup. In 1904 I believe there was some shortage and they decided to increase the production of salt and Government wanted to open new salt works and instead of Government incurring the cost of opening new salt works, people were encouraged to open new salt works and Government lands were offered to them on lease. But these leases were not accepted till 1917.

Mr. Mathias.—They don't sell their salt to Government. Really they are in the same position as the ordinary salt manufacturers.

Mr. Sorley.—Yes.

Mr. Mathias.—So that really Government have no control so far as sea salt is concerned.

Mr. Sorley.—No. No real control over quantity or quality except at Dharasna-Chharwada.

President.—I understand the policy on the Bombay side is that any number of salt works can be opened after obtaining a license from Government provided the minimum output is at least 5,000 maunds a year.

Mr. Sorley.—I think that is the position. The question of prices is not of great importance, because it is controlled by the suppliers who in turn are controlled by demand. At present under the conditions under which salt is manufactured in the Bombay sea salt works much profit is not being made and there is no demand to increase it.

Mr. Mathias.—Supposing any one comes forward and wants a certain area, can he get a license as a matter of course?

Mr. Sorley.—Yes. If he satisfies the Collector of Salt Revenue who will look to the whole position of salt manufactured in the Presidency before granting or refusing.

Mr. Mathias.—I understood the policy was not to increase the number of salt works.

Mr. Sorley.—I do not know of any policy laid down except that the policy of concentrating salt works for convenience of guarding and prevention of smuggling has not been abandoned. If the cost of guarding any proposed new salt works were disproportionate, permission would be refused.

President.—You have got 416 salt works in the Presidency and that is excluding Sind.

Mr. Sorley.—Yes.

President.—And the total output may be taken at about 125,000 lakhs.

Mr. Sorley.—In Appendix A, page 20, of the Administration Report for 1928-29, the total production of salt is given as 109 lakhs.

President.—We will call it 110 lakhs. It is divided amongst 416 salt works. That gives an average of what?

Mr. Sorley.—Average is no good, because they are all of different sizes.

President.—What do you call a salt work? Does it represent so many licenses?

Mr. Sorley.—It represents more or less the unit of production. There may be many people who have licenses in these salt works.

President.—How many units of production have you?

Mr. Sorley.—We have 416 of different shapes and sizes. I think it would be safer if you omitted the last two shown in the list, namely, the Ratnagiri and Sanikatta works, which are not in Bombay. There will be 146 salt works in Bombay.

President.—These are the number of units. There are two there—for instance (pointing to entry under Dharasna in the list).

Mr. Sorley.—Yes, Dharasna Salt Works and Chharwada Salt Works. There are two salt works in Dharasna.

President.—What it comes to is this: there are one or two salt works which produce about 2 lakhs maunds each a year. The rest are very small. The whole point is that you have got so many salt works and they must involve a considerable amount of supervision and expenditure.

Mr. Sorley.—Lots of them are grouped together.

President.—Each unit must have some supervision.

Mr. Sorley.—Yes, it has to be supervised.

Mr. Mathias.—One of the representations we have received states amongst other things: "The Indian States have no right whatsoever to export their salt to British India which could surfeit itself with salt of its own manufac' are were not such manufacture restricted by Government." Is there any truth in the statement so far as Bombay is concerned?

Mr. Sorley.—Simply that they mean excise restrictions.

Mr. Mathias.—And a heavy duty imposed on that commodity for revenue purposes.

Mr. Sorley.—I think that is all they mean.

Mr. Mathias.—Not that you limit the area.

Mr. Sorley.—No. We do not limit the area. As far as I know we have not refused people any large area in the last 20 years. We insist, of course, on economical guarding arrangements and this is of course a restriction on unnecessarily large areas being brought under salt manufacture.

President.—Supervision charges of Rs. 28 lakhs and odd, that you have mentioned on page 2 of your report, apply to the whole Presidency, is it not?

Mr. Sorley.—That is for the whole department.

President.—It comes to 18 per cent. including the excise duty.

Mr. Sorley.—It is not to be credited to salt. It includes customs; includes the working of the Bombay Salt Department and also land and sea customs. All the establishments are under the orders of the Collector of Salt Revenue.

President.—It is very largely I take it excise and customs supervision to prevent smuggling, evasion of duty and things like that.

Mr. Sorley.—That is the whole cost of running the department from the supervision point of view. It includes the cost of all the officers, superior and inferior, and the establishment.

President.—It does seem to me rather a high percentage.

Mr. Sorley.—I don't think so. Appendix H, page 32, of the Administration Report gives the details. That has to be set against the cost of the duty and not against the manufacture of salt.

President.—It doesn't matter where you debit it. It is a charge on the income of the department.

Mr. Sorley.—That policy has been laid down by the Government of India.

President.—Is there any rule such as they have in Madras that if the expenditure on supervision exceeds a certain percentage of the revenue, you recover it from the licensee.

Mr. Sorley.—The matter was investigated a short time ago by the Central Board of Revenue and they are quite satisfied.

President.—As to what?

Mr. Sorley.—As to the cost of the supervision.

President.—But you have got no such ruling from the Central Board of Revenue.

Mr. Sorley.—No. The question was investigated a few years ago and the Board was satisfied that it was quite economical. "No scale of proportionate cost of guarding the salt works was ever thought of or laid down. Establishment was sanctioned according to the need for individual or group of salt works without any reference to the proportionate cost. On the centralisation of the department, the Central Board of Revenue took up the question of recovering the cost of supervising staff from the lessees of the salt works and called for certain particulars, and so on. The enquiry showed that 5 per cent. of the amount of duty realised was greater on the whole by Rs. 97,534 than the cost of guarding *minus* the amounts recovered from the *shilotris* in the shape of—

(*i*) ground rent at maundage rate or according to land assessment,
(*ii*) cost of *shilotris* establishment in case of certain inami agars in lieu of ground rent, and
(*iii*) lease money in respect of Government salt works."

President.—It is less than 5 per cent. of the excise duty recovered.

Mr. Sorley.—Yes.

President.—Then the rest goes towards what?

Mr. Sorley.—The rest is revenue from the salt duty which goes to the Government of India. 95 per cent. of Re. 1-4-0 is clear revenue to the Government of India and 5 per cent. of the duty is the cost of running the place, collecting the revenue and so on.

President.—I do not understand the 18 per cent. that is shown here.

Mr. Sorley.—There is the Customs expenditure included in that. We have the same officers doing double duty.

President.—The rest of the expenditure would be debitable to the Customs —I mean over and above the 5 per cent. that you mentioned just now.

Mr. Sorley.—I don't understand the question, I am afraid.

President.—Here gross receipts are given as Rs. 1½ crores.

Mr. Sorley.—Rs. 1,51,00,000.

President.—Supervision and other charges come to about Rs. 37 lakhs.

Mr. Sorley.—In order to get these figures I suppose you have to take the Customs administration into account.

President.—I want to understand precisely what it costs Government to run this purely Salt Excise Department. If it is 5 per cent. I have got nothing to say but it is shown here as 18 per cent. If this includes the Customs supervision, that is a different matter and I am not concerned at the moment with Customs now.

Mr. Sorley.—It does include Customs. It includes the cost of running the Viramgam line in addition to the other Customs.

President.—Now as regards the leases that you have been talking about: I suppose they vary as regards terms or are they all perpetual leases?

Mr. Sorley.—Do you mean the leases of the salt works?

President.—I mean the license which you have given to people. Are they revocable by Government?

Mr. Sorley.—The Salt Works can be stopped if they don't produce 5,000 maunds per annum.

Dr. Matthai.—Is there any payment that the licensee has got to make apart from the excise duty?

Mr. Sorley.—He has got to pay ground rent.

Dr. Matthai.—In every case he has got to pay ground rent.

Mr. Sorley.—Yes, for the use of the land.

Dr. Matthai.—How much?

Mr. Sorley.—Three pies per maund.

Dr. Matthai.—Is there any other payment?

Mr. Sorley.—No, not to Government. We have a few inami salt works owned by inamdars.

Dr. Matthai.—If he is an inamdar, he does not pay anything.

Mr. Sorley.—He pays only establishment charges.

Dr. Matthai.—If you lease out Government works what is the payment which your licensees have to make?

Mr. Sorley.—I have to look up that question. There are so many different conditions under which licenses are given. Before I could answer that question with any accuracy, I should have to look up the details. As far as the licenses for the manufacture of salt are concerned, they are all the same.

President.—Is there any site available which has not been leased out by Government?

Mr. Sorley.—There is any amount of land lying vacant which can be brought under salt cultivation.

President.—In and near Bombay?

Mr. Sorley.—Yes.

President.—You say Government cannot cancel these leases or license because they are more or less permanent. Supposing Government said "w cannot cancel, but we shall manufacture ourselves", has the Government g sufficient land if they follow the same orthodox process of making salt solar evaporation?

Mr. Sorley.—There is plenty of land available.

President.—Government can allow anybody to open salt works.

Mr. Sorley.—Any one can apply for a salt license or for permissio manufacture salt.

President.—It is a very uncertain tenure when Government can open works or give licenses to others to manufacture salt.

Mr. Sorley.—Government have not opened salt works in order to comp

President.—Supposing a big manufacturer says that he wants to ma facture all the salt that Bombay requires, there is nothing to prevent him far as I could see.

Mr. Sorley.—No. We can let him do it at our discretion. But we ca refuse him if we want to.

President.—You could not refuse it on the ground that a more efficient manufacturer is going to come and displace the less efficient.

Mr. Sorley.—No.

Dr. Matthai.—What does this Government works consist of—just pans? If you take one of these Government works like Dharasna, what does it really consist of? You have got the ground, tanks and pans.

Mr. Sorley.—Yes, reservoirs and pans.

Dr. Matthai.—All the necessary capital work has been done by Government.

Mr. Sorley.—Yes.

Dr. Matthai.—And the lessee?

Mr. Sorley.—As a matter of fact *shilotris* (the salt workers) have put in a lot of money, in consideration of which they have been given a certain concession in the price. There are special conditions in regard to Chharwada and Dharasna.

President.—What is the position as regards Goa? Are the manufacturers there allowed to send in unlimited quantities?

Mr. Sorley.—They can send as much as they like by land only. Import of Goa salt by sea into British India is prohibited under the Sea Customs Act. The salt sent by land is checked at the land customs frontier at Castle Rock.

Mr. Mathias.—How much do they send?

Mr. Sorley.—Anything between three and four lakhs of maunds they send here.

President.—Do they export mainly to Bombay?

Mr. Sorley.—It goes to Mysore and other places—the country radiating out from Goa.

Mr. Mathias.—You only have figures of the imports of Goa salt into the Bombay Presidency.

Mr. Sorley.—We know the amount of salt that passes out.

Mr. Mathias.—What is the total amount?

Mr. Sorley.—Between three and four lakhs of maunds. Last year it was 330,000 maunds.

President.—I suppose they could increase the output if they wanted to.

Mr. Sorley.—Yes, if they have a market. It is all a question of market.

President.—Is there much difference between Goa salt and Bombay salt?

Mr. Sorley.—No. The Goa salt is slightly dirtier than the Bombay salt. Sanikatta salt is the dirtiest of all.

President.—Where is Sanikatta?

Mr. Sorley.—In the Kanara district. The people who like that won't take any other salt. They want it a great deal for fish curing.

Mr. Mathias.—There is perhaps some sort of flavouring matter in the mud.

Mr. Sorley.—May be.

Position of Indian States.

President.—So far as Goa is concerned there is no restriction on the imports from Goa, but as regards Indian States there are restrictions.

Mr. Sorley.—Yes. Goa salt cannot be imported by sea as already stated.

President.—One of the restrictions is that they can only export to Bengal.

Mr. Sorley.—Yes.

President.—Except in the case of Dhrangadhra from which you buy 5 lakhs of maunds a year.

Mr. Sorley.—We have terminated that arrangement. We are not buying any more. We had that arrangement for 5 years only and it has just finished. We did not think that it was to our advantage.

President.—You paid them a fixed rate.

Mr. Sorley.—Yes—3 annas 6 pies per maund.

President.—Delivered where?

Mr. Sorley.—At Kuda near Kharaghoda.

President.—Near their works.

Mr. Sorley.—Yes.

Mr. Mathias.—None of the salt produced by the Indian States is allowed to come into Bombay.

Mr. Sorley.—No, but recently they have permitted Kathiawar Ogha salt works to bring refined (*i.e.*, fine crushed) salt into British India in one pound packets. It is an attempt apparently to meet the demand for fine salt.

Mr. Mathias.—The owners of salt works in a representation to the Tariff Board have said: "Another and new source of menace to our industry is the salt produced in the Indian States during the last three or four years. So long as this salt is produced and shipped to Calcutta, we have nothing very serious to complain about, but if it is allowed to enter the market served by us our fate will be sealed".

Mr. Sorley.—The market for this refined crushed (sample shown) salt in the Bombay Presidency is only about 7,000 maunds and that is all the extent of the competition.

Mr. Mathias.—People who eat Bombay salt, would they shift over to Cheshire salt?

Mr. Sorley.—No, because it is much more expensive.

Mr. Mathias.—Those who eat that salt do not eat any other.

Mr. Sorley.—That is so.

Mr. Mathias.—Is it not probable that the people who are accustomed to this kind of salt—I mean the brown salt—even if the price of the other salt is reduced, would not touch it?

Mr. Sorley.—They would not touch it.

Mr. Mathias.—So, it does not come into competition?

Mr. Sorley.—It does not come into competition with the Bombay sea salt. It is purely a delusion on their part.

Transport of Salt by sea.

President.—I just want to understand the procedure. We will take the transport of salt by sea. Is there a limit as regards the carrying capacity of the boat in this part?

Mr. Sorley.—Do you mean the steamer or the country craft?

President.—For either. Is there a limit fixed such as 1,000 tons or something like that as regards steamers?

Mr. Sorley.—No.

President.—Supposing I want to export salt to Calcutta from here; I want to take from one of these works here. Which are the nearest works here, for instance?

Mr. Sorley.—All those round Bombay.

President.—What procedure have I got to follow?

Mr. Sorley.—You apply for a permit.

President.—To you?

Mr. Sorley.—To the office of the Sarkarkuns of the talukas where the salt works are situated.

President.—Is that in Bombay?

Mr. Sorley.—The offices are near the groups of salt works. That permit authorises you to remove the salt from the works. You have to pay a duty before you remove it unless you pay under a credit bond. Then it passes a preventive station. Then you make your own arrangements with the country craft to take it to the steamer.

President.—What do you mean by preventive check?

Mr. Sorley.—We have to check any tampering. That is one of the matters to which the traders object.

President.—Once a man pays the duty why should you interfere with the transport?

Mr. Sorley.—It can still be tampered with. We regard the preventive station and the salt works as one.

President.—How far apart are they?

Mr. Sorley.—Sometimes the preventive station is close to the works, sometimes by rarely it is some miles away. The reason is that smuggling is possible. We weigh it out at the works and check it again at the preventive station, to prevent smuggling.

President.—On the contrary it makes corruption possible amongst the smaller officials if at every stage the salt passes somebody comes and says: "I want to inspect it". When a man has paid the duty he has paid for it and he is entitled to take it wherever he likes.

Mr. Mathias.—Is it the idea that after the duty has been paid he may add two or three maunds to it and take it out?

Mr. Sorley.—Very likely, that was the idea. This second check may be unnecessary in some cases. I can't give you exact reasons for this procedure until I have examined the guarding arrangements or commit myself to an opinion. But I may tell you that this system has been in force since 1870.

Dr. Matthai.—Supposing the salt that is being shipped from Bombay to Calcutta is being shipped in bond, that is to say, the duty is paid at the other end, in that case the procedure is still the same?

Mr. Sorley.—It doesn't make any difference.

Mr. Mathias.—Is it weighed at the other end?

Mr. Sorley.—It is again weighed in Calcutta.

President.—Is it removed in bulk or in bags?

Mr. Sorley.—It is weighed and put into bags in the salt works, but goes in bulk in the steamers.

President.—After it leaves the preventive station is the man at liberty to take it to the ship or is there any other inspection?

Mr. Sorley.—We have done with it. On the ship before it goes into the hold at Bombay it is checked by the Customs people and the holds are then sealed if the salt goes in bond to Calcutta.

President.—Even when the duty has been paid?

Mr. Sorley.—In most of these cases the duty has not been paid because most of these people do business under the bond system, under which they do not need to pay the duty immediately. In fact the salt may be bonded in "golas" in Calcutta for three years without payment of duty.

Mr. Mathias.—Is there any restriction in the tonnage of the steamer?

Mr. Sorley.—No.

Mr. Mathias.—We were told that salt cannot be shipped on a steamer under 1,000 tons.

Mr. Sorley.—That is not for British Indian salt but for Kathiawar salt.

President.—What is the reason?

Mr. Sorley.—Because Kathiawar salt is foreign salt and greater precautions are taken in respect of foreign salt from Indian States.

Mr. Mathias.—We were told that the 1,000 ton limit was imposed so as to prevent salt being shipped in small country craft which you would not be able to check.

Mr. Sorley.—That is quite possible because they might land anywhere down the coast.

Mr. Mathias.—And then go to Goa, take another shipment of salt and say that duty has been paid.

Mr. Sorley.—They have always made a distinction between foreign salt and Indian salt because they consider that more restriction and supervision is necessary in regard to foreign salt from Indian States than Indian salt.

Mr. Mathias.—This also applies to Karachi salt?

Mr. Sorley.—That I do not know.

Mr. Mathias.—In the case of the salt in point there is a restriction of 1,000 tons and the reason is that if it can be loaded in country boats then they can land the salt anywhere down the coast, then go to Goa, take a fresh load and say this has paid the duty.

Mr. Sorley.—I suppose the limit was fixed because they knew the class of steamers engaged in this trade and they could be quite certain about the *bonâ fides* of the voyage.

Mr. Mathias.—If there is no restriction in the case of Bombay salt and that system works well why should there be restriction in the other case? What is your opinion? Could the same system be applied to Karachi without risk of loss?

Mr. Sorley.—I should think so.

President.—Apparently there is no difference in procedure applicable to salt going in bond and duty paid salt. I could quite understand when the duty is not paid Government is entitled to take all means to protect its revenue, but in the other case it does not seem to be obvious. But I take it that the duty paid salt removed would be comparatively small owing to the introduction of the new guarantee system.

Mr. Sorley.—The amount of salt removed under the credit bond system is something like 60 to 80 per cent. of the total in Thana and Kolaba Ranges. I can give you the exact figures.

President.—Does it go under guard when the salt goes under bond?

Mr. Sorley.—After it passes the preventive station we are done with it.

President.—After it has left the preventive station it passes into the hand of the Customs authorities?

Mr. Sorley.—It is loaded into the steamer and the hold is sealed. It is weighed up again in Calcutta to see whether there is any difference.

President.—That is done by the Customs people?

Mr. Sorley.—Yes, in Bombay and Calcutta.

President.—Then the duty on the exciseable salt is really collected by the Customs authorities?

Mr. Sorley.—I don't exactly know who collects in Calcutta. There is a certain amount allowed for wastage on the voyage. If the wastage is more than 5 per cent. they have to pay the duty on it.

President.—If it is below 5 per cent. they get the benefit of it?

Mr. Sorley.—I think they pay on the actual quantity up to 5 per cent.

Mr. Mathias.—In your cash transactions do you allow for the 5 per cent. wastage?

Mr. Sorley.—I don't think we have any cash transaction for salt going to Calcutta at all. It is all done by fairly big men on the bond system.

President.—Which are the biggest works here in the neighbourhood of Bombay from which salt could be exported?

Mr. Sorley.—Dadar salt works, the Bassein salt works, Uran and Shewe salt works.

President.—I want to know about the means of transport from these works.

Mr. Sorley.—Most of the salt is brought by country craft. The salt works are situated in creeks.

President.—Are they loaded direct from the country crafts?

Mr. Sorley.—I think that is what happens.

President.—Probably you have not got all the figures to show what it actually costs.

Mr. Sorley.—I have got some figures.

President.—I want the cost of taking salt from the works, that is to say, from the time it leaves the works up to the time of taking it to the hold of the ship.

Mr. Sorley.—We don't know ourselves exactly what these figures are but I take it that it costs something like an anna a maund to bring salt from the salt works to the hold of the steamer.

Facilities for handling salt at Kharaghoda.

President.—As regards your railway transport, take your Kharaghoda works—I understand these brine wells are some 6 to 7 miles from the stores and from there you have to rail the stuff.

Mr. Sorley.—Salt is made in the pans which are about 5 to 7 miles from the stores and has to be brought in by goods wagons.

President.—And again they have to be stored?

Mr. Sorley.—Yes.

President.—As far as I can follow your lay out you take it up an incline and dump it down.

Mr. Sorley.—Yes.

President.—That is not covered?

Mr. Sorley.—The major part is not covered but we have covered stores too. We put a certain amount (4½ lakhs) in the covered stores during the monsoon. When it is raining at Kharaghoda we cannot issue salt from the open stores as the salt would be damp so we have a certain quantity of salt in the closed stores. It is issued from there during the monsoon.

President.—So you have to handle again from the open heaps to the covered stores.

Mr. Sorley.—No, not from the open heaps to the covered stores: but from the open stores or from the covered stores handling has again to take place when the salt is being taken on indent.

President.—When do you get the crop?

Mr. Sorley.—May to June. It is stored then.

President.—Some of it will still remain in the open stores.

Mr. Sorley.—Yes.

President.—Even during the monsoon too.

Mr. Sorley.—Yes. The rain hardens it. It may get as hard as a rock. The surface consolidates and gets hard like a rock. It is quite unlike this Bombay salt. The Kharaghoda salt is hard (sample shown).

Dr. Matthai.—Is that fresh?

Mr. Sorley.—Yes. It becomes very hard as a result of the exposure to the air.

President.—It does seem to me a rather peculiar way of storing salt.

Mr. Sorley.—It is the cheapest way of doing it.

President.—People don't mind how dirty it is.

Mr. Sorley.—Only in a few places people object to it.

Dr. Matthai.—Was there any difference in the quality of salt when you used to have two crops instead of one?

Mr. Sorley.—I don't know.

Dr. Matthai.—What really is the advantage of a single crop? Is it entirely a question of output?

Mr. Sorley.—It saves very much in storing.

Dr. Matthai.—It is a question of storage primarily.

Mr. Sorley.—Not primarily.

Mr. Mathias.—Under the accretion system you have less labour employed.

Mr. Sorley.—Yes. The salt gets harder the longer it is kept in the pan.

President.—I suppose the wagons at the works end are hand loaded.

Mr. Sorley.—Yes.

President.—Are these pans scattered over considerable areas?

Mr. Sorley.—Yes.

President.—Do you take them direct from the pan into the wagon or have you to put them in a heap?

Mr. Sorley.—They are heaped on the side of the pans and carried in baskets by coolies into the wagons. They have to go probably 20 or 30 yards. We have to manufacture salt down in the Runn in the low lying land and have to carry it to the higher land. We have sidings on the Runn.

President.—If you use this process, there is no help for it as far as I can see, but if the salt is made by the use of more machinery, it may be quite possible.

Mr. Sorley.—There is a very big handicap. It is nearly 200 miles to the nearest port.

President.—I don't consider that proximity to the nearest port is such an important factor as it appears at first sight. That is why I am trying to compare the actual cost of freight by sea. The steamer charges Rs. 7-8-0 a ton.

Mr. Sorley.—It must add from As. 4 to As. 5 a maund to the cost.

President.—What is going to add?

Mr. Sorley.—I mean the sea freight. In the case of Kharaghoda you have to add the rail freight for nearly 200 miles in addition.

President.—To carry salt partly by rail and partly by sea is not a good proposition.

Mr. Sorley.—For supplying the Calcutta market, Kharaghoda cannot be considered.

President.—Because you consider the sea transport is the only transport.

Mr. Sorley.—It is. I can quote you the rail freights across India from Bombay and other places. They are all over a rupee.

President.—Kharaghoda is about 600 miles from Delhi. It would go by the metre gauge to Delhi.

Mr. Sorley.—It can go by metre gauge to Agra direct from Viramgam. Kharaghoda to Viramgam is broad gauge. It has to be loaded into metre gauge wagons at Viramgam.

President.—There is transhipment again at Agra.

Mr. Sorley.—Yes. We can also take it all the way in the broad gauge. I will give you some freight figures from Kharaghoda.

	Freight.
Katni, Central Provinces—693 miles . . .	1 5 8
Jubbulpore, Central Provinces—652 miles . .	1 4 2
Cawnpore—819 miles	0 15 0

Mr. Mathias.—What is the actual freight to Calcutta at present?

Mr. Sorley.—We don't send salt by rail to Calcutta at present. It is As. 15 to Cawnpore.

President.—Each railway system will give you a telescopic rate on its own system and for smaller distances you have to pay a higher rate.

Mr. Sorley.—We had some examination of the railway rates in connection with the Sambhar scheme. Merely from the distance you cannot tell what the freight will be. It depends on the market to which you are sending.

President.—For a distance of 1,000 miles you get a rate of ·165 of a pie per mile.

Mr. Sorley.—The special rate quoted to Mr. Lalkaka from Kharaghoda to Calcutta is Re. 1-8-9. The ordinary rate is Rs. 4-8-0.

President.—That is to say they have given a through rate irrespective of the sections.

Mr. Sorley.—Yes.

Mr. Lalkaka.—We had occasions some years ago to ask for a special rate to Calcutta. According to ordinary rate the freight worked out to about Rs. 4-8-0. Then we applied to the Bombay, Baroda and Central India Railway Administration for a special rate pointing out that foreign salt was being imported at about As. 4-6 a Bengal maund from Liverpool to Bombay. They gave a special rate from Bombay to Agra and then up to Calcutta it worked out to Re. 1-8-9.

Dr. Matthai.—You got a special rate over the Bombay, Baroda and Central India Railway and the ordinary rate beyond that.

Mr. Lalkaka.—Yes.

Dr. Matthai.—Can you compete at that freight in Calcutta?

Mr. Sorley.—At present if we are to compete, we must carry the salt at As. 4 per maund to Calcutta.

President.—I have got the East Indian Railway rate. For a thousand miles it works out at about As. 13 a maund. Take Sambhar for instance which is about a thousand miles. The first 200 miles are on the Bombay-Baroda section. They will charge at the higher rate ·38 over the 200 miles. Then the East Indian Railway will start. If they quoted a through rate, then the freight to Sambhar even at the present rate is only about As. 13 a maund. I do not know what the distance of the Kharaghoda works is. After 1,600 miles the rate is only ·11.

Mr. Sorley.—It would be about 1,300.

President.—If you added ·11 over every 100 miles it would be about a rupee per maund.

Mr. Sorley.—Yes. Steamer freight we can get at As. 5 from Bombay.

Competition between Government sources.

Mr. Mathias.—I see a statement here that Kharaghoda and Sambhar salt works have been competing with each other in certain areas, is that correct?

Mr. Sorley.—Yes.

Mr. Mathias.—Is not the control more or less unified?

Mr. Sorley.—Formerly they used to take Kharaghoda salt. Now they are taking Sambhar salt.

Mr. Mathias.—The implication is that the Government is so fixing the rate at Kharaghoda as to try and extend the sale of Kharaghoda salt in the Sambhar area and *vice versâ*.

Mr. Sorley.—I don't think it has been done consciously. The development of the Sambhar works has led to a change in the area of supply. Certain areas which we used to supply are now supplied by Sambhar.

Mr. Mathias.—Is there any possibility of competition between various Government salts?

Mr. Sorley.—We look to keeping a uniform supply in the United Provinces market which it is really more convenient to supply from Sambhar. But for some reason unknown to us they prefer to take Kharaghoda salt rather than Sambhar salt. We actually send Kharaghoda salt to the eastern part of the United Provinces and the western part of the United Provinces takes Sambhar salt.

Mr. Mathias.—You mean people buy Kharaghoda salt.

Mr. Sorley.—Yes.

President.—Have you tried to negotiate with the railways to get a through rate?

Mr. Sorley.—It is no business of ours.

President.—Because you don't wish to enter any of these markets.

Mr. Sorley.—The policy has been simply to supply a certain quantity of salt and see that that area is supplied. We have our area and we simply see that that area is adequately supplied.

Mr. Mathias.—So far as you are concerned, you don't select any area That is selected by the trader.

Mr. Sorley.—Yes.

President.—Very often railways give a special rate to a person consigning in large quantities. Railways can't give a special rate if the consignment is small and irregular.

Mr. Sorley.—In connection with the Sambhar scheme there was negotiation with the railways as regards freight, and there was a reduction of freight. But that was only a temporary measure.

President.—You sell a certain quantity direct from the works.

Mr. Sorley.—When I said that, I meant that a certain amount of salt is consumed in definite areas. That is removed from the salt works in the ordinary course of trade by merchants and traders.

President.—Kharaghoda salt is sold at As. 4·43 *ex*-godown.

Mr. Sorley.—Yes.

President.—That includes all your costs incurred at the works and the cost of transport from the works to the stores.

Mr. Sorley.—That is the issue price.

Dr. Matthai.—Does that include depreciation?

Mr. Sorley.—That includes everything.

Mr. Sorley.—The issue price is calculated on a commercial basis as a business firm would do it.

Dr. Matthai.—At the various local depôts, to this issue price you have to add the freight.

Mr. Sorley.—Here are the items if you want to have them.

	Rs.	A.	P.
Cost of manufacturing salt per maund . .	0	4	3
Cost of weighing and putting it into bags . .	0	0	3
Cost of bags at 7 annas for 3 maunds . . .	0	2	4
Duty	1	4	0
	1	10	10

That is the actual price including the duty.

Dr. Matthai.—The trader gets it at that price.

Mr. Sorley.—Yes. That includes packing, weighing and supply of bags.

Kharaghoda.

President.—Now we will get on to the questionnaire. As regards your reply to question 5: do you expect to maintain this production of about 25 lakhs of maunds with a maximum of 30 lakhs?

Mr. Sorley.—Yes.

President.—Or are you likely to reduce it?

Mr. Sorley.—We can run our Kharaghoda works most economically at about that amount.

President.—There is no danger of the brine supply falling.

Mr. Sorley.—There is a danger of the brine wells near Kharaghoda giving out. If that happens we will have to go further out into the Runn.

Mr. Mathias.—That will be more costly.

Mr. Sorley.—Yes, we should have to have railway sidings and so on. But I don't think that there is any fear of the brine wells giving out in the near future.

President.—You have a market in which there is no competition against this grade of salt.

Mr. Sorley.—No. We have a fixed market in which there is no competitor.

President.—Most of your market is in Guzerat and in the Panch Mahal. Your principal markets I take it are Guzerat and Panch Mahal.

Mr. Sorley.—Appendix B of the Administration Report gives the distribution (page 22). 18 lakhs of maunds go outside the Bombay Presidency and about 8 lakhs are consumed inside the Presidency. Of the 18 lakhs of maunds supplied, outside, 5½ lakhs go to the Central Provinces, 7½ lakhs go to the United Provinces and nearly 5 lakhs go to the Central India, Marwar and Rajputana.

President.—So that really what it comes to is this that nearly two-thirds of your market are outside the Presidency.

Mr. Sorley.—Yes.

President.—And it may range anything from 400 to 500 miles.

Mr. Sorley.—One of the distributing centres in the United Provinces is Cawnpore which is 800 miles from Kharaghoda.

Dr. Matthai.—That is also your position as regards your sea salt. Two-thirds of your sea salt also go to places outside the Presidency.

Mr. Sorley.—Appendix C gives the actual percentages (page 23).

Dr. Matthai.—I think roughly 60 per cent. goes out.

Mr. Sorley.—Yes—30 lakhs within the Presidency and 68 lakhs outside the Presidency.

President.—That is sea salt.

Mr. Sorley.—Yes.

President.—These are long distances that your salt is travelling even with the present high freights.

Mr. Sorley.—As far as I can make out the area of demand for any salt is limited by two main factors. One is the cost of freight and the other is the liking for the salt.

Dr. Matthai.—Have you noticed the decline in the quantities of Bombay salt taken by the Madras districts?

Mr. Sorley.—I have noticed that, but I do not know exactly why it is happening.

President.—You come in competition with Madras salt. Where are the points at which you come into competition?

Mr. Sorley.—Madras salt and Bombay salt are competing with each other in those parts of the Madras Presidency which are nearest to the Bombay Presidency, in parts of Mysore and in parts of the Nizam's territory. Kharaghoda salt and Sambhar salt are competing in parts of the United Provinces and in parts of the Central India according to the railway freight and according to the particular likings of the people. There are certain areas in the Madras Presidency where we do not come in competition with the Madras salt.

Dr. Matthai.—I think they are the Ceded Districts.

Mr. Sorley.—The areas far away from Bombay Presidency are not supplied with Bombay salt.

Dr. Matthai.—I find that in the West Coast Tuticorin is cutting in a great deal more than it has ever done.

Mr Sorley.—There may be an increase in the production in the areas where we have been supplying but I do not know how far it will go.

President.—What I cannot understand is this. Sambhar salt and Kharaghoda salt are both Government salt. The competition arose merely from the fact that when these departments were separately worked, each developed a market of its own. But now it is all worked by the Central Board of Revenue.

Mr. Sorley.—The area supplied by the Kharaghoda salt used to be much more than it is now. We are losing. We have lost a certain proportion owing to the development of Sambhar.

President.—Does it sound a very good business proposition that one Government works should compete against another in this way?

Mr. Sorley.—I don't think that you can really call it competition. It means that a certain quantity of Sambhar salt and a certain quantity of Kharaghoda salt are both put on the market. We do not know why some people prefer one to the other and *vice versâ*. In some places they pay even more for the Kharaghoda salt than for the Sambhar salt.

President.—You have broad gauge up to Viramgam.

Mr. Sorley.—Kharaghoda is on the broad gauge.

President.—From Viramgam to Agra it would be metre gauge again.

Mr. Sorley.—There is also metre gauge *viâ* Mehsara.

President.—If you do not want transhipment, you can go by the broad gauge right through *viâ* Baroda and Rutlam.

Mr. Sorley.—Yes.

President.—That would add about 125 miles to the distance.

Mr. Sorley.—It would, if the salts were competing in that area. But what we find is that the salt that goes through Rutlam goes to a particular place where there is no competition between salts. Each goes to its own market.

President.—That is perfectly true if the markets remain as they are to-day. Supposing you wanted to send the Kharaghoda salt to more distant markets in the United Provinces and Bihar, or other parts of India, the more convenient route would be the broad gauge because there will be no transhipment.

Mr. Sorley.—Without having a railway map before me, I cannot answer that question.

Dr. Matthai.—What is the average strength of your brine?

Mr. Sorley.—21° at Kharaghoda.

Dr. Matthai.—16° is the natural strength?

Mr. Sorley.—Yes, as it comes out of the well.

Dr. Matthai.—This payment to the Bombay, Baroda and Central India Railway for haulage is that fixed per maund?

Mr. Sorley.—Yes.

President.—In answer to question 7 you say no white salt is manufactured at Kharaghoda. What I want to know is, has it been definitely proved that it cannot be manufactured there?

Mr. Sorley.—No. It may be manufactured all right, if we use other methods the cost of which has not yet been examined.

President.—You take what may be called the natural brine from the wells of which the density is 16° and then by solar evaporation you get out practically all the salt.

Mr. Sorley.—Yes.

President.—16° is a fairly good density?

Mr. Sorley.—It is 21 we use.

Dr. Matthai.—After a certain amount of evaporation the saturation point is 21. After that stage you can use all the mechanical processes that are used in Europe.

Mr. Sorley.—Theoretically the thing is possible but the financial effect I do not know.

President.—The whole point is that you are in the same position once you get a density of 25° as those people manufacturing salt out of the salt mines.

Mr. Sorley.—My predecessor Mr. Laird McGregor was of opinion that we could not make salt any cheaper at Kharaghoda by mechanical means.

President.—It is not a question of cheapness, it is a question of manufacturing better salt and one likes to know what the difficulties are.

Mr. Sorley.—We can manufacture better salt, but the freight charges are very heavy.

President.—Freight charges apart I am talking of the cost of manufacturing this superior salt. Nobody has so far investigated it in Kharaghoda.

Mr. Sorley.—Several people have talked to me on the subject though it has not been officially investigated.

President.—I want to know how long it takes to reach a density of 25° from 16°.

Mr. Sorley.—We don't know how long it takes. As a matter of fact I have suggested to the Central Board of Revenue that we should have the services of a chemist to examine this and other questions.

President.—You have got no statistics on this point?

Mr. Sorley.—No.

President.—Sambhar has got some statistics. The fact is, this point has been decided against Kharaghoda without any proper examination.

Mr. Sorley.—We have not got a chemical examiner and we have never had a chemical examination of this kind. But I personally consider it very likely that white salt can be manufactured.

Dr. Matthai.—You say there is no prejudice against the Kharaghoda product either generally or in particular markets. We were told by the Bombay merchants that the consumers in Bombay would not have it and the experiment of opening godowns in Bombay proved a failure.

Mr. Sorley.—Yes. Bombay is outside our area, I mean that there is no prejudice in our own market.

Dr. Matthai.—In Bombay there is a prejudice?

Mr. Sorley.—Yes. In our own market where we are selling there is no prejudice. Bombay is outside that market.

President.—In the answers to questions 8 and 9 you have described the process. That is the orthodox process that is practically applied everywhere in India. What I want to know is, has there been any alteration made in the process of manufacture since Sir Charles Pritchard's day?

Mr. Sorley.—I don't think so.

Evidence of Mr. H. T. SORLEY, I.C.S., Collector of Salt Revenue, Bombay, continued on 26th October, 1929.

President.—This analysis of the sample that you have given in answer to question 10, is it of the brine as it comes out of the soil or is it after evaporation takes place?

Mr. Sorley.—The sample must have been sent to the chemical analyser immediately after it was taken out of the soil.

President.—That is fairly strong, about 15°.

Mr. Sorley.—Yes.

President.—I don't know what your rate of evaporation is.

Mr. Sorley.—I think in 4 or 5 days it gets to 21.

Dr. Matthai.—What is the rainfall in Kharaghoda?

Mr. Sorley.—The average is something like 20 inches. For the last two or three years they have been having abnormal falls of rain; 50 inches and the like. This year the rainfall has been normal.

President.—Does it dilute the brine?

Mr. Sorley.—It hardly makes any difference at all.

President.—Your capacity is now 30 lakhs of maunds a year. Can anybody tell me, apart from the question of having new equipment, whether brine would available for the manufacture of 100,000 maunds?

Mr. Sorley.—The brine is available all right but we have got to lay our railway lines further into the Runn.

Dr. Matthai.—Would that materially increase your expenses?

Mr. Sorley.—Expenses will increase because of the extension of the sidings. To lay a mile of railway track is very expensive.

President.—You use that merely for transporting.

Mr. Sorley.—Yes for 5 or 6 weeks.

Mr. Mathias.—What do you pay for haulage per ton?

Mr. Sorley.—As. 10 a ton.

Mr. Mathias.—If you extended your sidings by five or six miles would the railway ask for increased payment?

Mr. Sorley.—Probably the railway would ask for increased haulage.

President.—Because the distance will be doubled?

Mr. Sorley.—Yes.

President.—Even so it would not be a prohibitive charge?

Mr. Sorley.—No.

Dr. Matthai.—At present your haulage is 4·4 ps. per maund.

Mr. Sorley.—Last year we paid Rs. 63,000 to haul 27 lakhs of maunds. It is equivalent to 9 per cent. of the cost of making our salt.

President.—Is it impossible to build warehouses in proximity to the works?

Mr. Sorley.—Quite impossible.

President.—What is the reason?

Mr. Sorley.—Because of the nature of the Runn. It is a low lying land liable to floods and goes under water every year in the monsoon.

President.—How much does it go under water?

Mr. Sorley.—Not much. Only a few inches usually but two years ago it was 20 feet under water. That was an exception. Every year the ground is under water.

President.—Of course 20 feet is too much.

Mr. Sorley.—The soil would not be consolidated. It would be muddy and soft and the railway lines would have to run over 7 or 8 miles of it. It would not be safe.

President.—This year did you have any abnormal rainfall?

Mr. Sorley.—No.

Mr. Mathias.—You say that the rails will have to be laid each year.

Mr. Sorley.—No. They remain down all the time, but they suffer very much by being liable to these floods and the railway company give us quite a big bill every year for keeping the track under repair.

Mr. Mathias.—If you extended your works, you have to pay more.

Mr. Sorley.—Yes. At present it amounts to 1/10th of the manufacturing costs.

Mr. Mathias.—That comes to just under half an anna.

Mr. Sorley.—Yes: about that.

President.—In your works at Kharaghoda you don't seem particularly to mind what quality of salt you manufacture.

Mr. Sorley.—We have samples examined by the Chemical Analyser. We supply the kind of salt which the public want. That is the only thing we worry about. If there are complaints about the quality of salt we investigate these and if we find that the complaints are justified about any particular issue we don't issue that.

Mr. Mathias.—Supposing salt is sold in bulk, have you any special arrangements for transhipping it?

Mr. Sorley.—The Railway Company does all that.

Mr. Mathias.—Have you any preventive officer to check?

Mr. Sorley.—It is all in bags.

President.—When you say people want this salt, you mean that they don't object to it?

Mr. Sorley.—They don't want to have any other salt.

President.—Because it is equally dirty.

Mr. Sorley.—People are extremely conservative. There is not the slightest reason to believe that they want any other salt.

President.—Have you supplied them with any other salt?

Mr. Sorley.—They wouldn't pay for it.

President.—If anybody supplies a better salt, there is no evidence to suggest that they won't have it.

Mr. Sorley.—When the salt duty was raised to Rs. 2-8-0 4 years ago the consumption of salt fell down.

President.—That is owing to the price.

Mr. Sorley.—This will have the same effect. People will buy less.

President.—The price will affect the choice very much, but it is the price and not the relative quantity of dirt in the salt. That is the point.

Mr. Sorley.—At present I have no reason to believe that apart from a few Guzerat Municipalities which objected to some samples of salt we sent them, people are dissatisfied. They don't worry at all about the dirt.

President.—They take the line of least resistance and you don't bother to give them any better quality.

Mr. Sorley.—Government's policy is simply to supply the market. When we know that a particular market wants this salt and does not want any other kind of salt, we continue to supply that salt. The only evidence we have to the contrary is that a few small communities in Guzerat object to getting salt if it is taken from the outer layer of the heap, which is dirtier than the inside of the heap. Sometimes it happens that the salt from the outer

layer is given and when that is done, some of the Guzerat Municipalities object.

President.—You don't go so far as to say that even if you supplied a better salt at the same price, they won't have it.

Mr. Sorley.—No. If they could get a better salt at the same price they would take that salt.

President.—At present we have got the evidence of the dealers and the evidence of the Government. Because the manufacturers make one type of salt therefore they say there is no demand for any other salt even at the same price.

Mr. Sorley.—I simply go by the practical results. If the people are very much dissatisfied with this salt, we shall soon know about it. There are no signs that they are not satisfied. We are not particularly concerned with improving the quality of salt as such unless there is demand.

Mr. Mathias.—I thought you said yesterday that in certain areas where Baragara, which I understand is not superior to the Sambhar salt, is sold, people take it even though the price is higher.

Mr. Sorley.—In parts of the United Provinces it happens.

Mr. Mathias.—Is your salt superior to Sambhar salt?

Mr. Sorley.—They like it better.

Mr. Mathias.—Is it superior or whiter or does it contain less mud?

Mr. Sorley.—I don't think there is any difference. Our salt is very hard. For that reason it is liked by all who take it. I haven't any experience of Sambhar salt. I only know that in certain parts of the United Provinces our salt is preferred to Sambhar salt.

President.—It has been urged that the Bombay salt is popular in those parts where salt is sold by measurement. You get more money out of it. That is the explanation given. I don't know whether it is true or not.

Mr. Sorley.—Probably there is some truth in it.

Mr. Mathias.—Is it sold by measurement in the United Province.

Mr. Sorley.—I can't tell you.

Mr. Mathias.—I understand that in Madras it is sold by measurement.

Mr. Sorley.—The Bombay sea salt is sold wholesale by weight and retail by measurement.

Mr. Mathias.—How is your Kharaghoda salt sold retail?

Mr. Sorley.—By weight.

President.—Will you send us some recent specimens of salt?

Mr. Sorley.—I can get them in a day or two and send you.

President.—Do you have to apply the accretion system in the manufacture of sea salt?

Mr. Sorley.—They go on taking it out as it is made. In Kharaghoda we are working on the system in force, which has proved successful over many years.

President.—They also use accretion system. I understand in the accretion system you can get bigger crystals.

Mr. Sorley.—Yes, I believe so.

Retail prices.

Dr. Matthai.—Is this the kind of sea salt (sample shown) generally sold in Bombay?

Mr. Sorley.—Yes. This is Kupa salt. The sale of that is in Bombay. What proportion of the Bombay salt is represented by that, I do not know. It is made in a particular way. It commands a higher price and is bought by the better class of people.

Mr. Mathias.—Do all these different kinds of salt of which we have samples here command the same prices or different prices?

Mr. Sorley.—They have different prices.

Mr. Mathias.—Even the sea salt?

Mr. Sorley.—Yes.

Mr. Mathias.—So that really when we get any statement of prices in any particular area, unless we know the average price of each quality of salt, we can form very little conclusion.

Mr. Sorley.—Yes. I can get you the average price of each grade of salt. But these figures are not available on record unless specially called for.

Mr. Mathias.—There is no record of the prices of different kinds of salt kept from year to year.

Mr. Sorley.—No.

Mr. Mathias.—In the bazaar at present this salt is fetching so much less and that salt is fetching so much more, but there will be no record to find out what this salt fetched in 1923-24 and that salt in 1923-24.

Mr. Sorley.—We haven't got such statistics.

Mr. Mathias.—So that really prices might have risen or fallen and one can draw very few conclusions from the prices. You have no statistical information about the prices of different kinds of salt.

Mr. Sorley.—No. We can only just tell you what the rates in the bazaar are.

Dr. Matthai.—What does the difference of the different grades depend on?

Mr. Sorley.—It depends on the colour, size, crystals, look of the thing and the taste. Some people like one thing and some people another. Nobody knows why.

Dr. Matthai.—You take a harvest and pass it through the sieves.

Mr. Sorley.—Some of these samples come from different salt works. Some of the salt is sifted.

Dr. Matthai.—How do you get different grades?

Mr. Sorley.—By putting the salt through the sieves.

Dr. Matthai.—It is simply a question of light and heavy ones.

Mr. Sorley.—Yes partly. It may be also a difference in the size of crystals.

President.—Is it the lightest kind that goes to Madras?

Mr. Sorley.—I don't know.

President.—Which do you consider the lightest kind in weight?

Mr. Sorley.—"Kupa sold in Bombay" Rai and Bassein salt sold in Central Provinces and the Nizam's Dominions. You will find a bigger grain salt selling in the bazaar (pointing to a sample of small grained salt on the table).

Dr. Matthai.—Can you show me a sample here of the sort of Bombay salt which is shipped to Calcutta?

Mr. Sorley.—(Sample shown.) There is one district in Bengal that consumes this; that is Nadia. Otherwise it is used I believe for industrial and agricultural purposes. We can deliver it in Calcutta at the same price as Aden salt is selling. We ought to be able to sell this stuff at Calcutta at As. 8 a maund.

President.—For 100 maunds we saw a quotation of Rs. 71 for Bombay salt. It means that they are prepared to pay a higher price for the inferior salt.

Mr. Sorley.—This salt must be better than any other salt for the purpose for which it is used. They pay As. 8 a maund. It is used for tanning largely, I believe.

Dr. Matthai.—Do you know whether any of the Kupa salt goes to Calcutta?

Mr. Sorley.—No. It is only what we call refuse salt that goes to Calcutta?

President.—As regards labour, the Kharaghoda agarias are paid As. 2-3 per maund.

Mr. Sorley.—They are paid by the quantity of approved salt which is delivered at the end of the season at the time of storage.

President.—What do you mean by approved salt?

Mr. Sorley.—It must be passed by the Assistant Collector. He is an expert in these matters and his judgment may be trusted. As a matter of fact we have condemned the output of very few pans in recent years.

President.—After it has been heaped, where has he got to deliver it?

Mr. Sorley.—At the stores. There is an Inspector who goes round the salt heaped and he forms an opinion whether it is fit to be passed or not and the Assistant Collector decides whether it is to be condemned.

President.—Does it include any transport charges? They have got to take it from the pans to the place where it is kept.

Mr. Sorley.—These are the charges for the manufacture of salt. There are haulage charges and then there are loading charges in the wagons. That is paid extra.

President.—When you store the salt, I take it you pay these people.

Mr. Sorley.—Yes, after the storage is over, and after calculating the amount of salt stored.

President.—Do you make a reduction for wastage?

Mr. Sorley.—We pay on the quantity that is brought.

President.—But I understand that you pay on 95 per cent.

Mr. Sorley.—No. We used to make allowance for wastage, but now we don't. On the actual quantity brought we pay the agarias at the rate of As. 2-3 per maund.

Condition of labour.

President.—He is paid 2 annas 3 pies per maund but he may employ any number of men he likes, I take it. For instance, he may employ all the members of his family to help him.

Mr. Sorley.—He can, if he likes. That is his own look out.

President.—What I want to know is this. When you say that there are 1,234 skilled labourers (*i.e.*, agarias) you mean those to whom you have given the contract.

Mr. Sorley.—The actual holders of pans.

President.—These men on an average get about Rs. 350 for the season. Their net wages on this basis would be about Rs. 250 as they have expenses to meet averaging Rs. 100 per agaria over the season.

Mr. Sorley.—Yes, something like that.

President.—That does not mean that they are the wages of a single man.

Mr. Sorley.—I have gone into the question of the economic position of these people. I considered that they did not get an adequate living wage. Because of that, I asked the Central Board of Revenue to raise the wages from 2 annas a maund to 2 annas 3 pies a maund and the Cenral Board of Revenue have agreed.

President.—Up till now it was 2 annas.

Mr. Sorley.—Yes, but it has varied occasionally.

President.—It is very difficult to say what they are earning.

Mr. Sorley.—It is exceedingly difficult.

President.—I mean per head of labour employed.

Mr. Sorley.—I did not calculate per head because I thought that the fairer system, looking the social customs and habits, etc., of these people, would be to estimate the earnings of the family.

President.—This is what it amounts to.

Mr. Sorley.—I consider that these people are making probably on the average Rs. 20 a month all the year round. It works out at that figure, which is quite sufficient in the conditions in which these people live.

President.—That is for the whole family.

Mr. Sorley.—Yes, for a family consisting of a man, wife and two children, it works out at Rs. 20 a month.

President.—That is to say, for four.

Mr. Sorley.—Yes.

President.—If that is not sweated labour I want to know what is.

Mr. Sorley.—I don't think that it is sweated labour. If you look at the average earnings of labouring people in Gujerat—we have to compare them with the classes of people from whom they are recruited and the occupations, if they were not working in the salt works, they would be engaged in—that is to say, if you compare them with agricultural labourers and so on, these people are much better off.

President.—I daresay they are.

Mr. Sorley.—They have not only a regular source of income but we also provide them with various comforts and things in Kharaghoda like cheap housing, dispensary, school, well near village with bazaar and water supply.

President.—I don't say you pay less than what may be regarded in that locality as the economic wage. But that is not the point. The point is whether it is an adequate wage that these people are getting.

Mr. Sorley.—As regards that, it is a general question of economic standards and it is difficult to answer.

President.—I don't charge Government with sweating labour more than other people do.

Mr. Sorley.—They also do a certain amount of other work, carting work and so on in the off-season and get a certain amount of extra earnings. They also share amongst themselves the amount of money which we pay for loading wagons. As far as the Salt Department is concerned I think they are getting at least Rs. 20 a month on the average, *plus* an additional sum the amount of which it is impossible to discover. I went into this question in some detail. These people are illiterate and they have no high standard of living.

President.—What I simply suggest is this: the wages are not likely to raise their standard of living.

Mr. Sorley.—There is no inclination on their part to raise their standard of living in any shape or form.

President.—Mr. Vakil has said a few things about it. I don't remember them but I think he suggests in one place that even those wages do not go into the pockets of these agarias.

Mr. Sorley.—A certain amount of them is lost uneconomically owing to the system of credit under which they work.

President.—There are Sowkars who give them advances against the season wages at very high rates of interest.

Mr. Sorley.—Yes. They lose unnecessarily about Rs. 25 a year per agaria owing to the manner in which we pay them. It forces them to go to money-lenders for loans.

President.—Because you pay them at the end of the season.

Mr. Sorley.—Yes. We also make certain advances in the year. You can take it however as a general principle that these people are paid for their labour, *i.e.*, for the salt they manufacture, months after they have made it.

Mr. Mathias.—Have you got co-operative credit societies?

Mr. Sorley.—No. Two or three times we have investigated the question whether one can be started, and have found that it is not possible to start one because they are illiterate. They are always at sixes and sevens with each other.

Mr. Mathias.—That is why the money-lender charges a high rate of interest.

Mr. Sorley.—They don't seem to be able to look after themselves.

Mr. Mathias.—These agarias are really men of straw. They may be here to-day and gone to-morrow.

Mr. Sorley.—The people who have been working in the salt works have probably been connected with them for years. A large number of these people have been working at the salt works for many, many years.

Mr. Mathias.—Does the money-lender take considerable risks when he advances money?

Mr. Sorley.—He probably does with some of them. In those cases, he wants more interest. The bania's security is the certainty that these people will be paid their wages. Apart from that, there is no security. But these people are quite amenable to discipline.

Mr. Mathias.—When a man dies for instance, how will the money-lender get his money back?

President.—Probably other members of the family pay it.

Mr. Sorley.—I do not know. But the banias in Kharaghoda have done themselves extremely well out of the agarias.

President.—You say that the total labour force is 2,700.

Mr. Sorley.—That will include the people who come and load wagons.

President.—They are paid by the piece or are they on the regular staff?

Mr. Sorley.—For loading a wagon, we pay 14 annas of which 10 annas is paid by the agarias and 4 annas by Government. In order to find the amount of money which is distributed among these people at the loading time you have to multiply the number of maunds by 14 annas. From that of course you will have to deduct the amount which will have to be paid by them.

President.—This is for handling.

Mr. Sorley.—For loading the wagons. The agarias are responsible for getting the salt on to the wagons.

President.—This 2 annas 3 pies is not nett.

Mr. Sorley.—No. That is the cost of manufacture only.

President.—Is it a broad gauge or metre gauge wagon?

Mr. Sorley.—It is broad gauge.

President.—What is the load of a wagon? Would it be 400 maunds?

Mr. Sorley.—Round about 200 maunds. They are special salt wagons. The economic position of the agarias I can explain in detail with figures if necessary.

President.—Is this their sole occupation or do they do agricultural work also?

Mr. Sorley.—Personally I do not believe that it is very much because agriculture round there is very precarious.

Dr. Matthai.—The salt works keeps going almost throughout the year except during the monsoon and during the monsoon there is very little agricultural work to do.

Mr. Sorley.—Very little agricultural work they can do. The officers at Kharaghoda have given different accounts to me of what happens to these people. These accounts are so divergent that it is impossible to say anything or believe anything with complete certainty. Personally I went up last May and investigated the question on the spot. I came to the conclusion that for all practical purposes these people have not got a subsidiary occupation. There is a certain amount of casual labour that they can get by cutting wood, or making roads or that sort of thing but it cannot be very large because that part of Guzerat has not got work to supply a large body of people.

President.—This is their principal occupation—perhaps this is their sole occupation.

Mr. Sorley.—It is their principal occupation. I may say in this connection that this year we had trouble amongst them and it was necessary to try and call in other labour; we had no difficulty in getting people to come in.

President.—They have fairly long hours.

Mr. Sorley.—There is no Factory Act. All day long they are in the agars.

President.—They start in the middle of October and go on working till the end of May.

Mr. Sorley.—Yes.

Dr. Matthai.—This fresh labour that you got, was it from the professional scraping class?

Mr. Sorley.—They had a certain amount of experience in the Kathiawar States.

Dr. Matthai.—You don't think that it would at all be difficult to get the necessary amount of labour.

Mr. Sorley.—It would be very difficult to get an adequate amount of skilled labour.

President.—What does the skill consist in?

Mr. Sorley.—It is in knowing how to make the wells and how to raise the brine; in knowing whether the brine has reached the proper density and in knowing how to take the salt out of the pans. They cannot explain how it is done, but they know what to do.

Mr. Mathias.—Supposing you were starting fresh salt pans and you wanted 100 or 200 of these people; if you put them and trained them for a year, they would be able to do it?

Mr. Sorley.—We should have to sprinkle out the old hands amongst the others and thus train them.

Mr. Mathias.—In about a year they will know how to do it?

Mr. Sorley.—I should doubt it. I doubt whether they would produce as good a salt as the others who are more experienced. They will produce salt but whether they will produce as good and as much salt as the old agarias I do not know.

President.—It would take a long time before the consumer detects that the quality has deteriorated.

Mr. Sorley.—Probably the difference in skill would be largely in the amount of salt produced per pan.

President.—You don't use any machinery there.

Mr. Sorley.—No.

President.—Not even for pumping?

Mr. Sorley.—No.

President.—Is it because you find manual labour cheaper?

Mr. Sorley.—There is the system and we simply keep it on. We make the salt which people consume and therefore we go on as we do.

Mr. Mathias.—In any case the particular method you have of calculating the wages hardly lends itself to the introduction of the machinery.

Mr. Sorley.—The labour is most conservative. If we start making any innovations it is likely to cause great trouble.

Mr. Mathias.—Supposing you introduce pumping machines there will be difficulty in calculating the wages to be paid to agarias.

Mr. Sorley.—If we introduce pumping machines we may probably take away from the agarias altogether the work of brine lifting and brine feeding into the pans.

Mr. Mathias.—Would it not be difficult to calculate the cost of that?

Mr. Sorley.—I don't think so.

Mr. Mathias.—You have not considered the question of economy by introducing the pumping machinery.

Mr. Sorley.—I have considered that, but it is a very big question. I have not got beyond the stage of going over the whole of the present method of production to see whether a change will be for the better or worse. I consider that in many ways our present production is wasteful but whether the introduction of mechanical methods to prevent this waste will result in our being able to produce a cheaper article is doubtful because the machinery is liable to very rapid deterioration in the salt climate.

Dr. Matthai.—You lift the brine from the well to the reservoir and from the reservoir it goes to the pans by gravitation.

Mr. Sorley.—Yes.

Sale of Salt by measurement.

President.—In reply to question 28, you say that in Bombay salt is sold by measurement.

Mr. Sorley.—Yes.

President.—This assumes that a *paili* contains 5 lbs. What I wish to know is that the prices that you have got here are prices based on actual weight recalculated from the amount of *pailis*.

Mr. Sorley.—These are wholesale prices, I believe.

President.—I am talking of the retail prices.

Dr. Matthai.—The figures in Appendix 8 are the average wholesale prices for each district.

Mr. Sorley.—I am not certain but I think that these figures are not the retail prices but prices at which the retailer buys from the wholesale merchants. I should like however a chance to enquire more fully into the manner in which these figures are compiled. They are compiled from figures given by the revenue district officers, and collected by the Director of Agriculture.

President.—What I want to know is this: what is the weight in a *paili*.

Mr. Sorley.—It differs according to the article that is put into it.

President.—We want the figure to be fairly accurate. A man when filling the *paili* may say he is giving 5 lbs. but may have given you only 3½ lbs. by weight. Is there any means of finding that out?

Mr. Sorley.—Some salt will turn out 16 *pailis* in one bag, in another it may be 17 while in another it may be 18.

President.—Then there is no means of ascertaining what the actual price of salt by weight is in the market?

Mr. Sorley.—Not the retail price because it is sold by measure, whether it is 5 lbs. or 4¾ lbs. depends on the kind of salt a man is asking for. The man simply says "I want a *paili* of salt" and he gets a *paili* of salt by measure.

President.—What are the figures that go into these reports?

Mr. Sorley.—These figures are given for the talukas and are collected by the Director of Agriculture. From what I remember as Assistant Collector the *mamlatdar* sends a clerk to the bazar to enquire what the prices are. These are possibly the wholesale prices at which a retailer gets his salt from the wholesaler.

Mr. Mathias.—May we take it that there is no record of the retail price?

Mr. Sorley.—I can give you some information but there is no record in any complete form.

Mr. Mathias.—The prices published in the Gazette each week are they merely wholesale prices?

Mr. Sorley.—I would like to make further enquiries about that. I am talking of my own experience as a district officer and I think these are probably the prices at which the retailer gets his maund of salt from the wholesaler.

Mr. Mathias.—Including railway freight?

Mr. Sorley.—Yes.

Dr. Matthai.—That is to say it is the price at which the agent sells his salt. Your issue price is the price at which salt is sold at the works?

Mr. Sorley.—Yes.

Dr. Matthai.—There is the price at which your agent sells it. That I take is what you call the wholesale price?

Mr. Sorley.—The wholesale price is the price at which a man who orders salt gets it issued from the salt works and transports it to the place where he is going to dispose of it to the purchaser.

Dr. Matthai.—The point I want to get at is this. Taking for example these prices at Ahmedabad in Appendix VIII, I take it these are the prices at which the agent sold the salt *plus* the freight from the agent's depôt to Ahmedabad, is that right?

President.—I understand the price means this, that a retailer goes to the agency and says he wants a bag of salt and that is the price at which your agency supplies him that salt. That includes the Government price at Kharaghoda *plus* the freight *plus* his commission.

Mr. Sorley.—That includes everything up to that stage.

President.—Does he get it in bag or is it in bulk?

Mr. Sorley.—I can't tell you whether the value of the bag is included in this. I think it isn't.

Mr. Mathias.—The price of Rs. 2-8-0 at Panchmahals includes the railway freight to Panchmahals?

Mr. Sorley.—Yes.

Mr. Mathias.—This Rs. 2-4-7 that you have given for Ahmedabad, is that the agent's price?

Mr. Sorley.—It may not be. This is the price reported by the local officers. A man can order his salt through the agent or not as he likes.

Mr. Mathias.—Is it the average price at which the retailer at Ahmedabad purchases from the wholesaler *plus* the railway freight from the wholesaler's depôt?

Mr. Sorley.—It is the market price of the bag of salt sold in Ahmedabad. The agent sold in Ahmedabad at Rs. 1-12-11; there was the duty of Rs. 1-4-0; the cost price of the salt at Kharaghoda is 0-4-3; railway freight 0-3-0; then charges for loan of bags, of filling, weighing and sewing 11 pies and agent's commission 9 pies, all these make up the total price.

Mr. Mathias.—Then what is this Rs. 2-4-7?

Mr. Sorley.—I shall have to ask the district officers to explain this.

Dr. Matthai.—This agent's commission of 9 pies per maund is charged by your local agents, is it?

Mr. Sorley.—One firm does it.

Dr. Matthai.—You have got 33 agencies.

Mr. Sorley.—It is all the same firm.

Dr. Matthai.—Does he not get any remuneration for supervising the work?

Mr. Sorley.—He gets 9 pies per maund.

Dr. Matthai.—I gathered from Mr. Strathie's hand book that you pay 9 pies for his services; in addition to that Messrs. Pestonji get a certain amount of commission working out at 1 per cent. which is over and above the 9 pies paid to the local agent.

Mr. Sorley.—That is not so. That used to be the case in the old days before the Salt Commission abolished the monopoly system.

President.—How much do they sell in a year?

Mr. Sorley.—4 to 5 lakhs of maunds.

President.—That will be chiefly round about Ahmedabad?

Mr. Sorley.—Godhra, Viramgam, Ahmedabad, Sanand, Mehemdabad, Nadiad, Anand, Umreth, Dohar, Dohad, Wasad, Baroda, Ranpur, Kalol, Dongarwa, Mehsana, Ujha, Sidhpur, Dholka, Palanpur, Abu Road, Rohera, Dehgam, Talod, Prantij, Himatnagar, Petlad, Cambay, Patan, Kheralu, Deesa, Idar Khed-Brahama.

President.—Will you please collect the information for us as to the retail price. It must be reliable information and you should not as far as possible refer to the same district officers because the district officers really do not take any interest in it. What I really want is this. You can take only the headquarters of districts. Select a few places which represent your salt and Kharaghoda salt. You have got different circles. Find out the wholesale price at which he purchases it first then it is taken to the other place which is, say, Ahmedabad for Kharaghoda, and then give the price at which it is sold wholesale by that man to the other purchasers. I want to know how many middlemen come in before the actual consumer of salt comes in.

Mr. Sorley.—Sometimes it will be sold direct and sometimes it will pass through two or three hands.

President.—Then you will tell us what the incidental charges would be that they will have to incur to take it from the works to the warehouses. In the statement that you send in please also show what the transport charges and so on are. Please try and get me some retail prices also.

Mr. Sorley.—I can do that now.

Mr. Mathias.—How do you ascertain your retail prices?

Mr. Sorley.—By going down to the bazar, pointing to the thing in the shop and asking how much is this.

President.—What I want you to do is to put the retail prices in the statement.

Mr. Sorley.—I can just give you an idea now. This is the result of the visit to a shop in Bombay on the 15th October:— Uncrushed Kupa salt manufactured at Matunga, two classes, one white which is selling at Rs. 2 per bag exclusive of the price of bag; the second quality, darker colour, at Rs. 1-14-0 similar charges for bag, and Malauni which is of reddish colour at Rs. 2-3-0 per bag. Samples 1 and 2 gave 18 *pailis* per Bengal maund and sample 3 21 *pailis* per Bengal maund.

President.—That is the price at which they sell per bag.

Mr. Sorley.—Yes. I can give you the price of a *paili*. It is 2 annas per *paili*.

President.—What is the actual weight?

Mr. Sorley.—It differs. We have to divide the maund by 16, 18 or 21, according to the character of the salt.

Mr. Mathias.—Is that the result of the enquiry or is that the result of dividing the maund.

Mr. Sorley.—This is the result of a visit to the bazaar. We simply ask the dealer how many *pailis* are there in a bag and he tells us.

Mr. Mathias.—Does your man simply take the price of the bag as Rs. 2-3-0 and divide that by the number of *pailis* in the bag and say that the price of *paili* is so much?

Mr. Sorley.—I personally went down two days ago and saw that the price was so much. I saw a man getting 2 *pailis* for As. 4.

President.—If that *paili* represented the correct weight, that was Rs. 2 a maund.

Mr. Sorley.—In the case I mentioned the wholesaler made an average of As. 2 a maund on the sale of his wholesale bag and the petty retailer made 100 per cent. profit. The latter buys salt in small quantities. He buys say As. 8 worth of salt and sells it for a rupee.

Mr. Mathias.—I don't understand how you work that out.

Mr. Sorley.—The small retailer who sells buys a certain quantity of salt and puts it in a piece of paper. People who buy in small quantities purchase this and he makes 100 per cent. profit. [I add* a short-note making the conditions of salt retail selling in Bombay more clear.]

Mr. Mathias.—The retailer who sells it by *paili* may be the same as the wholesaler?

Mr. Sorley.—Sometimes he is. He gets the wholesale profit and the retail profit.

Mr. Mathias.—The lowest common monetary unit is a pice.

Mr. Sorley.—Yes.

Mr. Mathias.—Below that the retailer doesn't sell at all.

Mr. Sorley.—He sells even a pie worth. The purchaser must get a pie worth of salt and two pies of something else. I saw pie packets of salt tied up in paper ready for sale when I went into the bazaar.

Mr. Mathias.—When he buys one pice worth of spices, he gets so much of spices and so much of salt. When you say that he is getting 100 per cent. profit on his salt, it may be that he is getting 50 per cent. less for his spices.

Mr. Sorley.—The small retailer buys As. 8 worth of salt and sells it for a rupee. How he manages with the spices I do not know: but personally he makes as much profit on his sales of spices.

Mr. Mathias.—He sells so much salt and so much cocoanut.

Mr. Sorley.—He is not making much profit on salt. He buys As. 2 worth of salt and sells it at As. 4.

President.—What is the way in which the salt is removed from Kharaghoda? Does it go to the depôts or does it go direct?

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* In Bombay there are three classes of retailers:—

(1) those who purchase in bags from wholesalers and retail themselves in *pailis*, but also sell whole bags to hawkers—the exact profit obtained is not known,

(2) hawkers who buy whole bags usually from No. (1) but sometimes draw from the salt works and sell by measure in the streets going round the houses. The amount of profit obtained is not known,

(3) the petty retailer who sells salt along with other articles. He buys from No. (1) above in small quantities and sells at 100 per cent. profit on the quantity bought. He often supplies salt in pie packets or he sells it with condiments at an inclusive charge for all together.

Mr. Sorley.—It goes direct. Our agents just indent for salt like other people and have it stored in their various depôts. It is practically like a Government bonded warehouse until the salt is issued.

President.—Under your present system people have six months credit for the duty.

Mr. Sorley.—Yes; they have got to deposit a security. They get interest for six months on the deposit and they get credit to that extent.

President.—Is it the idea that it takes about six months for them to recover the money?

Mr. Sorley.—That apparently is the idea.

President.—There is somebody making a little money out of that.

Mr. Sorley.—It is quite a business in itself financing the credit bonds.

President.—In the case of a smaller man I understand the bank deposits a security.

Mr. Sorley.—For the big men too. People can combine to put up the money for the security for the bond and get the use of it. It is just a loan.

President.—You are assuming that your revenue is a crore and a half for this Presidency.

Mr. Sorley.—Something like that.

Mr. Mathias.—They have to deposit Government paper.

Mr. Sorley.—Yes.

President.—They leave it with the bank. In the ordinary way the bank collects the interest and stands guarantee for the man.

Mr. Sorley.—The bonds are deposited with the Chief Account Officer, Salt, Excise and Opium, Bombay.

President.—You give them six months' credit.

Mr. Sorley.—A man can probably sell his salt in two or three months.

President.—Therefore ordinarily speaking he incurs no charge in respect of storing on the money that is locked up. The wholesaler doesn't incur any charge, but probably he does charge the retailer for it.

Mr. Sorley.—Yes, he may.

President.—That must cost Government Rs. 7 or Rs. 8 lakhs a year.

Dr. Matthai.—About Rs. 10 lakhs a year.

President.—Who are the principal wholesale dealers in Bombay that is apart from the manufacturers? Some of them I understand would be the manufacturers themselves and others would be wholesale dealers.

Mr. Sorley.—Very few of them are manufacturers.

President.—Can you give me a list of 5 or 6 of them so that we might examine them as regards prices?

Mr. Sorley.—Yes (statement handed in).

President.—When you get for us the retail prices, please let us know what weight the *paili* represents.

Mr. Sorley.—We can only do that by having it weighed.

President.—It might give you trouble, but it would be enough if you could do it in a few cases.

Mr. Sorley.—Yes.

President.—I hope he wouldn't recognise that your man was asking for it. In answer to question 34 you say:

> "In the markets in Bombay Presidency where Kharaghoda salt is consumed there is no competition from any Indian made salt. The general public would not use any but Baragra salt."

There is no other salt put into the market in that part.

Mr. Sorley.—There is no other salt competing with it.

President.—There is no means of knowing really whether they would.

Mr. Sorley.—No, except that they don't like it.

President.—In India I don't think you can go by that. They are a long suffering people.

Mr. Sorley.—I am afraid we go by complaints.

Mr. Mathias.—As a matter of fact they do get the salt they want. In answer to question 34 (*a*) you say:

> "Places outside the Presidency except the Central Provinces to which Baragra salt is moved are also served by salt from Sambhar, which is a Government concern too. There is no real competition between the two kinds of salt."

Mr. Sorley.—No.

Mr. Mathias.—That is to say it is a matter of local taste.

Mr. Sorley.—Entirely.

Mr. Mathias.—If a man likes the Sambhar salt, he gets the Sambhar salt.

Mr. Sorley.—Judging purely from the figures, it seems to be so.

Mr. Mathias.—In the areas exclusively served by you if people really wanted Sambhar salt, they would go in for it.

Mr. Sorley.—Yes, they would.

President.—I see the Central Provinces have got a very catholic taste.

Mr. Sorley.—What really happens is that the Central Provinces is divided into 4 areas of supply. One part takes one kind of salt and the other parts take the other salts according to taste and cost, I expect.

President.—The probability is that in these parts this salt got in before Sambhar salt. The production of Sambhar salt was very small in olden days and Kharaghoda works are fairly old.

Mr. Sorley.—I can give you some information about the taste in salt. Distance from the source of supply plays a predominant part, and taste for certain kind of salt in certain markets comes next. There is also a belief among the uneducated (and even some educated) people that certain kinds of salt do not agree with their constitution. Municipalities like those of Nadiad, and Godhra have put forward the plea that the use of 1921 Kharaghoda salt gives rise to skin diseases. Ghat people would not have any but the dark heavy salt. They consider that it is real salt, white substance being not so salty. Some people living in Poona City and in the Nizam's state would only have Pen salt which is whiter and the crystals are not square but elongated. Pen salt is costlier than other salt as the cartage from the salt works to Khopoli Station (at the foot of the Bhor Ghat) a distance of 20 miles comes to 4 annas per maund. Yet the people accustomed to this salt would not accept a substitute. The people of the whole of Ratnagiri District except Vengurla taluka would not eat Shiroda salt but Kolaba District salt only. The Shiroda salt is very inferior flaky and dark, yet the people of Vengurla, Savantwadi and portions of Belgaum District would use that salt only. The Kanarese have no particular liking. If they can get Uran salt cheaper than Sanikatta they would have it. The fish curers of Kanara district however prefer Sanikatta to Uran salt as by the use of the latter they say the fish acquires dark colour, whereas by the use of the former the fish acquires a yellowish colour from the salt as the salt has got yellow colour from the red earth. An attempt made in 1903 to open agencies for the sale of Baragra salt in Sholapur, Poona and Bombay, owing to shortage of sea salt proved a failure *vide* please para. 2 of Chapter V of the Salt Committee's Report (page 61). North of Baroda no one would use sea salt but Baragra. Baroda is the dividing line. Bombay people of the upper and educated classes would use the white waffery salt (known as Kuppa)

produced in the Dadar Salt works and at Goregaon, Mira and Bhandup. Even the Military Departments indents for this salt for rationing the Indian soldiers and for feeding horses. During the War this salt used to be exported to Mesopotamia by the Military. In more distant markets some people living in the neighbourhood of Cawnpore would use Baragra salt in preference to any other even to Sambhar which is nearer to United Provinces than Kharaghoda. Public taste for a particular kind of salt has always been respected even at some inconvenience as regards the supply arrangements.

President.—All these tastes must have been created since the Salt Department was created, because obviously in the olden days they could not get your Kharaghoda salt from Karachi to Cawnpore. Somebody must have developed that.

Mr. Sorley.—Probably they have been eating the stuff over 30 years.

President.—Ordinarily they eat the stuff that they get in the neighbourhood. I personally do not believe that taste has anything to do except that some enterprising dealer has developed the taste for that salt. It seems that Kharaghoda salt would have gone to all the places in the earlier days.

Mr. Mathias.—Have you any reason to think that some kind of salt causes skin disease?

Mr. Sorley.—I have no personal experience.

President.—The trader or the dealer will always say "you eat my salt; otherwise you will get skin disease". He has developed the market and he is not going to let it go if he can keep it, and I dare say people do believe that.

Mr. Sorley.—I believe that the market for each kind of salt is extremely well defined. It is very easy to supply the market. We know exactly what kind of salt is used in a particular locality.

President.—All this must have come surely only with the cheapening of transport. In olden days it would not have been possible.

Mr. Sorley.—That is the condition now.

President.—Therefore it could be changed if it became necessary. As regards capital outlay: you give your block value at Rs. 18 lakhs.

Mr. Sorley.—Yes.

President.—That I take it is the valuation put upon it by the Central Board of Revenue recently.

Mr. Sorley.—Yes, that is right. The whole question has been gone into by an officer who was put on special deputation.

President.—After making allowance for the depreciated condition of the buildings they came to the conclusion that this would be a fair value.

Mr. Sorley.—Yes.

Dr. Matthai.—Your idea is that if you were taking the present replacement value it would be 15 per cent. less.

Mr. Sorley.—Yes.

Dr. Matthai.—Roughly you might put the present day replacement value at about Rs. 15 lakhs.

Mr. Sorley.—I do not know that I can subscribe to that statement. It would be less, but I do not know exactly by how much.

Dr. Matthai.—If approximately we take about 25 per cent. as the reduction in the general level of prices since those days, roughly about 15 to 16 lakhs of rupees would be the replacement value.

Mr. Sorley.—Yes, on that basis.

President.—The issue price is 4 annas per maund.

Mr. Sorley.—It is 4 annas 3 pies.

President.—That is made up of all the items such as depreciation, etc.

Mr. Sorley.—Yes.

Dr. Matthai.—Does it include the interest on capital?

Mr. Sorley.—Yes.

Dr. Matthai.—What is the rate?

Mr. Sorley.—Some of it is 5 per cent. and some 6 per cent. I can give you the costing sheet which makes the whole thing clear.

President.—This is in Statement No. I.

Mr. Sorley.—That is right.

President.—You have got a sort of working capital; that is to say on the actual stocks you charge interest. That may be taken as your working capital.

Mr. Sorley.—The interest on capital is Rs. 98,922 and interest on the value of reserve stock at 5 per cent. is Rs. 21,256. They are separate items.

President.—According to our method of accounting you have practically three annas as your works cost (Form II).

Mr. Sorley.—Yes.

President.—And your selling price is 4 annas 3 pies.

Mr. Sorley.—Yes.

President.—So, 1 anna 3 pies covers all incidental charges.

Mr. Sorley.—Yes.

President.—How much of this salt establishment is debited to the works?

Mr. Sorley.—I can give you the main items. The cost of establishment including contingencies but excluding stationery is 3·78 per cent.

President.—Of what?

Mr. Sorley.—Of 4 annas 3 pies.

President.—What I want to know is this. You have a separate establishment to look after the manufacture.

Mr. Sorley.—Yes, we have.

President.—That goes into Statement No. I, I take it, on an allocation basis.

Mr. Sorley.—Yes, on an allocation basis approved by the Central Board of Revenue. The cost of establishment, the cost of accounts and audit establishment, share of the Collector's headquarters office, pensionary charges, leave salary, etc., if you add all these up, it will probably come to about ·5 per cent. altogether.

President.—It practically includes all your charges.

Mr. Sorley.—Yes.

President.—This 1 anna 3 pies represents what?

Dr. Matthai.—It represents depreciation, interest on working capital, etc. I notice that your estimated expenditure for 1929-30 is about 2½ pies per maund in excess of your actuals for 1928-29 and 1927-28 although your output is going to be slightly bigger. How do you account for that?

Mr. Sorley.—The reason is that we have increased the wages by 3 pies per maund at the salt works.

President.—From your answer to question 71, I find that you are an orthodox free trader.

Mr. Sorley.—Yes. But there are cases in which protection is justified.

Mr. Mathias.—I think that as your cost price has gone up you will be raising your selling price.

Mr. Sorley.—I don't think so. I don't think it will be necessary provided we write down the value of our stock.

Mr. Mathias.—The writing down of stock has just taken place.

Mr. Sorley.—Some of it has been written down but not fully.

Mr. Mathias.—Then you are losing on that.

Mr. Sorley.—We cannot help it.

Mr. Mathias.—Why should you write off salt and lose on it? Why should you not raise the price of salt and cover your loss?

Mr. Sorley.—There are good reasons for not interfering with the issue price, unless it is absolutely necessary.

Mr. Mathias.—Then, actually you will be working at a loss.

Mr. Sorley.—We are not yet losing. If we take the value of the stuff which has been written off, we lose because we have estimated in our accounts that it is worth so much.

Mr. Mathias.—Apart from that, if you increase the wages and yet charge the same price, you must be selling at a loss? Last year your works cost was about 3 annas to which you added 1 anna 3 pies. This year's estimated cost is 3 annas 2·8 pies to which presumably you have to add another 1 anna 3 pies so that your total cost is 4 annas 6 pies while you will be selling at 4 annas 3 pies?

Mr. Sorley.—I have worked it out on the assumed sales; and if we sell as much as we expect to sell, we shall not lose on the year's working, provided we write down the value of the inferior salt we have in stock.

Mr. Mathias.—Then we must not place any reliance on Appendix VI; I mean you would not be entitled to draw conclusions from it.

Mr. Sorley.—No, not as it stands. If you wish to draw conclusions as to whether we are working at a loss or not the statement must be considered along with a valuation of certain proportion of our salt stock. This point will be explained at length if necessary.

President.—Your idea is more or less to maintain a uniform price as far as possible even if it means a certain amount of loss in a particular year?

Mr. Sorley.—Our policy is to deliver salt to the public without any profit to Government.

President.—In a particular year supposing you have incurred a certain amount of loss, you don't necessarily pass it on to the consumer, do you?

Mr. Sorley.—No. As a matter of fact the loss is not much and we don't mind losing a few thousand rupees on a year's working. It would hardly be reflected in the price.

President.—Of course the risk is that if you increase the price of salt the increase continues long after you have made up your loss.

Mr. Sorley.—The issue price of salt ought to be based on a sort of considered policy which will last over a certain number of years, so we work out an issue price which would cover, or be in existence for, a certain number of years so that we need not change the issue price unless it is absolutely necessary.

President.—I want to ask you a few questions as regards the sea salt under your control. Government has only leased its sea salt works at Dharasna?

Mr. Sorley.—No: not at Dharasna and Chharwada. The Government salt works at Bassein have been leased out for Rs. 24,000 a year.

President.—What is the production a year?

Mr. Sorley.—2 lakhs of maunds. Three Dadar salt works are leased out for Rs. 13,500 and the production is 1¼ lakhs of maunds a year; then there are three salt works in Uran (Kolaba Range) where the lessee pays Rs. 1,356 a year; they produce ½ lakh of maunds, then in Shiroha taluka in the Ratnagiri District there are seven Government salt works which have been leased for Rs. 1,200. They produce about 16,000 maunds.

President.—Government are merely interested as lessor and the manufacture is carried on by these people and the sale also is done by them?

Mr. Sorley.—Yes. In Chharwada and Dharasna the system is somewhat different. The salt is produced by the agarias and they receive a fixed price of 2 annas 9 pies on the sale of salt by them and the issue price is 3 annas 9 pies, one anna being ground rent payable to Government.

Dr. Matthai.—What is the point in fixing the price like this?

Mr. Sorley.—It is due to the peculiar circumstances in which these salt works were developed. Years ago they were enlarged at the expense of these agarias themselves and they are paid Rs. 1,200 annually by Government for clearing channels, digging wells and so on. The details of the situation can be explained if necessary.

Dr. Matthai.—If they have used their own money for improving their works they ought to be paid a better price.

Mr. Sorley.—In the Bhandup salt works the land has been leased by Government to these persons who put capital into them and developed them. It has been leased for 99 years and 4 pies per maund is recovered from them for guarding charges. Otherwise they are just like private salt works. Government instead of constructing the salt works themselves let them be constructed by capitalists and have given them a lease for 99 years and recover 4 pies a maund for guarding the salt works.

President.—When Government gives salt works to these people what does it give besides the land?

Mr. Sorley.—In Bhandup it doesn't give anything.

President.—In other places?

Mr. Sorley.—It lays the whole thing. The salt works are there; they are put up by Government. They are then a sort of running concern.

President.—The pans have to be made every year?

Mr. Sorley.—Yes, but the whole thing is laid out; they have got to keep them up to date.

President.—These pans and things are there?

Mr. Sorley.—They are all there and the guarding arrangements and so on are all complete; nothing is to be done except take them over and work them.

President.—Apparently in the case of Bombay Government have committed themselves much more than they have done in other parts.

Mr. Sorley.—That is under the Bombay Salt Act which dates back to 1890 in its present form.

President.—Take Madras Presidency for instance. Government can introduce a change if it likes, but here it cannot do it except by opening its own works and competing with other people.

Mr. Sorley.—When the leases expire we can take them over.

President.—In the case of Bhandup it was leased out four or five years ago and the 99 years' lease has to run.

Mr. Mathias.—In any case as regards your excise contractors who merely pay excise duty you cannot cancel their licenses.

Mr. Sorley.—Not unless they fail to make 5,000 maunds.

Mr. Mathias.—Supposing they make 5,000 maunds they continue to work in perpetuity unless you paid compensation.

Mr. Sorley.—That is so.

President.—There is this thing of course namely that any big manufacturer can come forward and say he will manufacture the whole quantity and if Government allows him to do so these leases are practically cancelled.

Dr. Matthai.—I don't think your experience in Bombay justifies any Government measure for controlling prices, that is to say in case there is profiteering for example . . . . .

Mr. Sorley.—I am against controlling prices by Government. It has been the policy in Bombay to leave the prices entirely to the trade.

Dr. Matthai.—And it is not necessary either to control the quality?

Mr. Sorley.—No. As far as the salt works are concerned at present they are operating efficiently to supply the quality of salt which the public on this side of India require. They may not be operating economically if you consider how far they are to be able to face foreign competition; in that case of course they can't be said to be efficient; but from the purely local point of view they are quite efficient.

President.—If I were to accept the figures as regards prices the position appears to me to be this: in Bombay and round about Bombay the price is about Rs. 2-13-0 per maund. The corresponding price in Calcutta is Rs. 2-2-0 to Rs. 2-6-0 a maund for imported salt. Assuming that these figures can be depended upon what it shows is that in Bombay this salt fetches the same price as or even a higher price than foreign salt which is superior, in Calcutta.

Mr. Sorley.—I don't think that really describes the position in Bombay. There is no demand for imported salt in Bombay and the price on this side of India is regulated by the price ruling in the Bombay Presidency which I believe is higher than in most other parts of India.

President.—What does it prove? It simply proves that this superior quality of salt has not been put in the market and therefore for an inferior quality of salt they pay a higher price than in Bengal. People are not getting the value for their money even though they don't complain about it.

Mr. Sorley.—Even if the imported salt came into Bombay and captured the market it would not sell as cheaply as it does in Calcutta because the level of prices is higher on this side of India.

President.—On all imported articles?

Mr. Sorley.—I think it is exceedingly likely.

President.—We have not come across that in our enquiries. It may be that retail prices in some places may be higher and what it shows is this that for a very inferior stuff you get the same price in Bombay as they get for a very superior article in Bengal.

Mr. Sorley.—Roughly speaking that is correct as far as salt is concerned.

President.—It means that the consumer of salt on this side of India is certainly not getting value for his money.

Mr. Sorley.—It depends on what he is satisfied with. If he is satisfied with it, he is getting value for his money.

Dr. Matthai.—Is there anything like a combination amongst the Bombay traders in salt?

Mr. Sorley.—No.

Dr. Matthai.—Is there a thing called the Salt Union—a sort of informal combination—for fixing the price? Have you any information about it?

Mr. Sorley.—No. The salt trade is disorganized.

Mr. Mathias.—Is there no sort of combination amongst the traders? I was given to understand in Madras that they had so to speak a home market that is to say they get a higher price in Bombay to compensate for the lower price at which they sell salt in Madras.

Mr. Sorley.—I have no information. I think in the Bombay salt trade there is no combination. I take it just a few men engaged in the export trade may be able to control the market.

Mr. Mathias.—What is the reason for this higher price in Bombay.

Mr. Sorley.—Bombay is one of the most expensive towns to live in, which is due amongst other things to the higher standard of its public services, such as education, hospitals, port development and so on.

Mr. Mathias.—If the trade is disorganized it means that there would be severe competition and lower price to that extent, so that these prices appear to be rather peculiar.

Mr. Sorley.—Most of these high prices are in the districts away from the sea?

Mr. Mathias.—What about Bombay?

Mr. Sorley.—It is one of the most expensive towns. Price of everything is high here.

Mr. Mathias.—You mean incidental expenses, such as house rent, godown rent and so on makes the prices higher?

Mr. Sorley.—Possibly.

Mr. Mathias.—Is there any octroi charges on salt?

Mr. Sorley.—There is no terminal tax: there is a wheel tax.

Mr. Mathias.—Would you mind finding out what the amount of municipal taxation on salt is?

Mr. Sorley.—I will let you know. I got a letter from a man who is in the Aden Salt Works saying that as regards the question of the Aden salt supply a large part of the capital in the Aden Salt Works is Indian capital.

Mr. Mathias.—We have had representations from the Indo Aden Salt Works.

Mr. Sorley.—The capital is, I believe, largely put up by the Borah community.

Mr. Mathias.—4 out of the 5 salt works in Aden are Indian.

President.—Mr. Strathie says in his report that there is a sort of an informal Association.

Mr. Sorley.—It is all informal and nothing official. A copy of the representation from the leading owners of Salt Works in Kolaba and Thana has been sent to me.

President.—It is very risky to draw any general conclusions, but obviously the price of salt must be governed by the price of the competing article. Here in Bombay the only article that could compete would be the imported salt if it came in and therefore the price level does correspond to more or less the import price in Bombay. Where there is competition between the Indian salt of different kinds the prices are lower. Unless there was some organisation which was trying to average the prices it is difficult to say why this happens.

Mr. Sorley.—I don't consider that the price of salt would be affected by the price of imported salt.

President.—It would not be dearer than the salt that is sold in Bombay if I were to accept these figures.

Mr. Sorley.—My own personal opinion is that it has no effect in fixing the price.

President.—The price of a commodity must be determined by some factor.

Mr. Sorley.—It is determined by supply and demand.

President.—If the price went up too high, it would be profitable to import. People have got used to eating this salt and they pay more or less the same price as the imported salt into Bengal.

Mr. Sorley.—There is competition among the salt manufacturers here.

President.—Really is there any competition?

Mr. Sorley.—They are selling against each other. It is to the interest of one man to sell salt against another man.

President.—In the same area?

Mr. Sorley.—Yes.

President.—They are more or less sold at the same price.

Mr. Sorley.—They raise it here and lower it there.

President.—I should like to know a little more about the informal combine or association if one exists. Can you supply me with any information?

Mr. Sorley.—I can't give you any reliable information.

President.—As regards Calcutta we are likely to get more definite evidence of the existence of a combine. We expect that. It has been going on for some time. It is much better organised than anything you are likely to have in Bombay.

Mr. Sorley.—Many of the so-called big men in the salt trade do not know very much about the conditions under which the salt is made and they don't keep proper accounts and so it is impossible to tell how much money they put in the salt trade and how much profit is made and how it is distributed.



Proceedings of a meeting of the Board held at Bombay on Wednesday the 12th March, 1930.

PRESENT:

Sir Padamji P. Ginwala, Kt.	President.
Mr. A. E. Mathias, I.C.S	Member.
Dr. John Matthai	Member.
Mr. R. L. Walker, I.C.S.	Secretary.

Witnesses:

Mr. Shorab R. Davar Mr. N. M. Muzumdar Mr. J. K. Mehta	Representing the Indian Merchants' Chamber.
Mr. Walchand Hirachand Mr. M. G. Kotibhaskar	Representing the Maharashtra Chamber of Commerce.
Mr. Walchand Hirachand Mr. Kapilram Vakil Mr. Govind M. Gole	Representing Okha Salt Works, Limited.
Mr. Hooseibhoy Lalljee	Representing Indo-Aden Salt Works.
Mr. Manu Subedar	Representing Jodhpur Darbar.

President.—I should like to take the Chambers together, because the points are common to both. I don't think that there is really any difference of opinion between the two Chambers. Your view is that if possible the price of salt to the consumer should be lowered.

Mr. Muzumdar.—It should be made as cheap as possible.

President.—In so far as you refer to the reduction of the duty that is a point upon which we can't say anything. That is not part of our enquiry.

Mr. Muzumdar.—Yes.

President.—But there may be other ways of reducing the price of salt to the consumer than merely by the reduction of duty.

Mr. Muzumdar.—By increasing the production?

President.—Yes and by cheapening the cost of production and by economies in the cost of distribution. I do not know whether you are in touch with the retail prices in the country. We have been trying to collect evidence on that point and really it is very very difficult to get any reliable evidence. But I think it would be safe to assume that there is a fairly big gap between what we consider the fair selling price of salt and the price at which the consumer gets it. That is largely due to the cost of distribution and it is there I would like the views of the Chamber. You would agree that a reduction in the price of salt to the consumer would result.

Mr. Muzumdar.—Quite.

President.—Because as you say salt is a very important commodity and besides there is a considerable amount of national sentiment in connection with it. On economic grounds as well it is important that salt should be cheap. At the same time you suggest that assistance should be given to the manufacturers of indigenous salt.

Mr. Muzumdar.—Yes.

President.—I think I have explained more than once that it is very difficult to devise a scheme in the ordinary way, that is to say, assisting the industry by means of a duty or a bounty, because you would agree that though this Board never takes a political view of any question, it can

not ignore the fact that there is a lot of political feeling behind the salt tax and you would agree that if we were to make a proposal for protecting the industry even at this moment, it would be rather inexpedient to increase the duty on salt.

Mr. Davar.—You mean an import duty.

President.—Yes. It may be that the import duty doesn't affect the price of salt in the country itself. If the price of salt is raised as a measure of protection, it is not likely to be accepted purely on political grounds.

Mr. Muzumdar.—The incidence of the duty would be lessened as time goes on and home production is increased.

President.—That is all right, if you take merely the economic view of the situation, but if you import politics into it, does not the position become much more difficult?

Mr. Muzumdar.—I am afraid at the moment it does.

President.—That is the point and therefore it would be inadvisable to propose a measure of that kind if it can be avoided.

Mr. Muzumdar.—Yes.

President.—The same thing applies to a bounty, but in a different sense and, as you know, it is far more difficult to get a scheme of bounties through than a scheme of duties. Therefore duties and bounties must have the same tendency towards raising the price. One great objection to the bounty is if you want to make the scheme of protection effective, you must have a scheme which will enable the protection to be increased from time to time. There is an application just now which I am going to deal with in which it is stated that prices are constantly falling. We do not know at what level they will stop. It means that if you have a bounty, it must be increased. I cannot conceive of any Legislative Assembly giving a *carte blanche* that whatever bounty is necessary may be given. The same thing applies to a lesser extent to the anti-dumping duties.

Mr. Muzumdar.—Did you not have the same thing in the Steel industry?

President.—It happened that the bounty was paid with reference to the actual fair selling price of the Tata Iron and Steel Company. As it happened, the bounty was equivalent to the loss that they sustained on the sales effected against the Continental steel and further it was in existence for a short period.

Mr. Muzumdar.—I see the difficulty in the case of salt.

President.—That is the point. You would agree that the industry must be assisted by some sort of protection.

Mr. Davar.—Yes.

President.—The basis of every scheme of protection is to enable the protected industry to get a reasonable price for its product and it enables it to get a market for its product. That is the aim and object of schemes of protection. Therefore any scheme of protection which provides that really ought to meet the situation. In fact the guarantee to the manufacturer of a fair selling price and a market in my opinion is a much better method of protection than any scheme of protection by means of a bounty or a duty, because you can never be certain of getting that price.

Mr. Muzumdar.—As far as we as a chamber are concerned all that we urge is that the home production should be increased by every possible protective means.

President.—You may increase your production and if you are not able to compete against the foreign article, what are you to do? First of all you have got to devise a scheme by which owing to competition with the foreign article you are able to get a market and realise a price which would pay you.

Mr. Muzumdar.—Yes.

President.—It was for this reason that in our earlier statements we propounded a scheme of marketing organisation. The idea underlying that

scheme is that the industry must get a fair selling price and simultaneously a market and I understand as regards that principle you are agreed.

Mr. Muzumdar.—We have referred in our memorandum to a marketing organisation for salt in the initial stages. We had ourselves recommended it in the case of the Match industry.

President.—Of course in the case of the Match industry it fell through, because there were inherent difficulties. First of all there were far too many manufacturers and secondly there was the question of quality. We could not prescribe any standard. Here, as you know, salt is a chemical and it is easy to prescribe a standard. Any chemist can say by applying ordinary tests whether it is up to a standard. In the case of the Match industry when we cannot have the standard, we could not fix a price at all to be paid to the manufacturer which would really equalise the prices of all the manufacturers, but here you can do it. You can say that salt of such and such a quality must be produced and below that quality it cannot be sold. If the manufacturer produces a much better salt, he can get a better price. We have got chemical tests made of the standard of salt consumed in the Bengal market and therefore the salt that is put into that market by this organisation must conform to those standards. But in order to protect the manufacturer who produces a better article, we are prepared to provide that he should get an equivalent price.

Mr. Muzumdar.—Equivalent to the quality?

President.—Yes. If you produce a perfect salt for which there is no market, you would not get anything extra. If you produce a better quality and if it is marketable, you would get a better price compared to the ordinary quality. Within those limits it is possible in the case of the Salt industry to prescribe a standard and fix the price with reference to the standard, so that the main objections that existed in the case of the Match industry do not arise here.

Mr. Muzumdar.—If the Board feels that the difficulties are fewer and lesser, we, as a Chamber, accept in principle this idea of a marketing organisation.

President.—I can tell you this much. We are exploring all possible avenues. We have examined everything. In the light of all the evidence we feel that the industry ought to be encouraged and that some provision must be made and we have come to the conclusion that the safest and the best method from all points of view is this sort of marketing organisation which will assist the industry and which will help the consumer. Are you familiar with marketing organisations?

Mr. Muzumdar.—Yes.

President.—There are a number of men who make their living out of the salt. We don't want to deprive them of their livelihood. At the same time we don't want quite so many people. It need not pass through so many hands.

Mr. Muzumdar.—A certain number of parasites are, of course, always required.

President.—As a matter of general principle you would agree that a large scale marketing organisation under modern conditions is far more economical than small scale or organisations.

Mr. Muzumdar.—Certainly, from the economic point of view.

President.—We have really got no data as regards this and it is not our business to go into details. It is for you, Gentlemen, who are interested in the business to come forward and say that these are the lines on which we should proceed. We simply discuss the main principle. That is as far as we can go and you will agree that that is the best way of dealing with it. This Board is not in business. Its function is mainly to deal with principles and it will lay down certain principles which, if applied, might make the organisation more satisfactory, but we can't make any definite

proposals which must bind the Government and the business community and the industry. On that footing you agree that if possible proposals might be made.

Mr. Muzumdar.—We agree in principle.

Mr. Davar.—May I ask a question? In this marketing organisation that you contemplate, is the foreigner going to compete also? What is the position of the foreigner going to be? I am talking of a broad principle.

President.—We contemplate the prohibition of all foreign imports under this scheme.

Mr. Muzumdar.—Excluding Aden.

President.—If Aden is declared as foreign, it will be excluded. I am using the term 'foreign' in that sense.

Mr. Davar.—Aden being part of Bombay, it won't be considered as foreign at least by the Board.

President.—Whatever is declared to be foreign will be imported only by this marketing organisation so long as it is required. What it will do is that it will be in charge of supplying the market. It will say 'The market wants 500,000 tons of salt'. Then it buys as much salt as it can get in India at a price which we consider as a fair selling price and the remainder it buys outside.

Mr. Muzumdar.—May I explain one thing, Sir, before we go further? Speaking for the Chamber I have said that we agree in principle to a central marketing organisation, but we have not considered any detailed scheme.

President.—The marketing organisation assumes that there are no foreign imports and if there are any imports, these imports are under the control of this marketing organisation, so that the foreign imports do not injure the national interest.

Mr. Davar.—That is the point.

President.—It is obvious that you cannot allow foreign imports to c into the protected market.

Mr. Muzumdar.—Quite.

President.—But you agree that the foreign imports must be stopped?

Mr. Muzumdar.—They will have to be stopped.

President.—Without stopping them you cannot have any scheme of protection. If our proposals are accepted by the Government and if we make them on these lines, you will have plenty of opportunity of giving expression to your views, because Government cannot form a marketing organisation themselves. Somebody must come forward to form such an organisation.

Mr. Davar.—That is the point. Whatever scheme is formulated, this Chamber should have an opportunity of being heard on that scheme.

President.—You know how public utility companies are formed. Take an electric supply company as an instance. They first apply for a license. That license is considered by Government and then Government ask for public opinion whether the license should be accepted in that or any other form. It might be that the same procedure might be adopted or some similar procedure might be followed and the opinion of the public invited. By the 'public' I mean, the manufacturing public, the consuming public and the mercantile interests. It cannot be done otherwise; it is quite obvious.

Mr. Muzumdar.—Yes.

Mr. Davar.—The scheme, I presume, will be an All India one.

President.—That is a matter which will have to be considered when the question arises, but we contemplate that it will extend eventually at any rate to the whole of Northern India. For the present, Bombay and Madras will be excluded. The salt excise systems in those two Presidencies are very complicated, whereas in Northern India and in the markets of Bengal

and Bihar we have a clear field because we have not got these small manufacturers. If the marketing organisation is once established, in course of time we can hope that Bombay and Madras will fall into line. The aim and object of the whole thing must be to put the salt into the market at the least price—I mean at the lowest possible cost. We have got some figures to show that the gap between the wholesale price and the retail price is 10 annas to one rupee. That is the net gap including transport and everything. You can just imagine that if you were able to save 8 annas out of that to the retail consumer, it would be a saving of Rs. 2 or Rs. 3 crores to the consumer in a year. That is the point. That is the principal aim and object of the scheme, and incidentally it also gives protection to the industry. I can see no other way of doing it. I am glad that the Chambers of Commerce also agree in principle that that is the best way of doing it.

Mr. Muzumdar.—Yes.

President.—I hope that the manufacturers also are more or less agreed on that point.

There are about ten points in the representation of the Indian Merchants Chamber. We have already dealt with the first three points. As regards the point that earth salt should be available for manure purposes at a cost price with minimum railway freight, that does not come directly under the scope of our enquiry, but I may tell you that we have examined the railway administrations in this enquiry and have found them in a more reasonable mood as regards freight than before. They have promised reductions in freight which we think are reasonable though in some directions there is room for further reductions and I hope that the business community will press the railway administrations to go further than they have gone. That is for you to take up hereafter.

Mr. Muzumdar.—We have said so on page 2 of our representation.

President.—If they give lower freights for the ordinary salt, then it follows that the earth salt cannot be excluded.

Mr. Muzumdar.—Quite.

President.—As regards (5) *viz.* "Salt fit for consumption by horses, cattle, etc., should be made available at as cheap a rate as possible and in large quantities", we should like very much to find out if this can be done. At present, there has been really no investigation of the denatured salt. That is a point that can be investigated by the proposed organisation. It may be to its interest to find out some means by which salt could be made available for consumption by cattle without interfering with the salt for human consumption. Mr. Kapilram Vakil, is there any denatured salt which while it is unfit for human consumption is fit for consumption by cattle?

Mr. Kapilram Vakil.—No. Denaturing is done very largely in France for industrial purposes.

President.—It would be for you and for chemists like Mr. Vakil to find out something, and if anything was found out, we should not anticipate any difficulty on the part of Government to give effect to it. In other parts of the world, the price of salt does not matter much. The cattle can get it even if it is dear. Here in this country it makes a lot of difference, but it can be undertaken by manufacturers or vendors of salt who are really interested in the increased sale of their salt.

Mr. Muzumdar.—We would suggest that apart from any investigation by individual chemists and manufacturers, Government also might investigate.

President.—There is the Agricultural Research Council. It ought to be its duty to investigate that point. First of all, we have no figures. We have been trying to get some figures as to how much salt is being used by cattle and how much is required. We have got no evidence, strange as it may seem.

Dr. Matthai.—Has the Chamber got any kind of estimate?

Mr. Muzumdar.—No.

President.—You must first of all find out how much does a cow require for keeping fit. It must, I take it, vary with the conditions of climate and so on.

Mr. Muzumdar.—Directors of Agriculture and such other officers of Government may be able to give you some evidence.

President.—They have not been able to give us any information on that point. Therefore I am pointing out that it is worth while working out how much an animal requires, how much is being actually consumed to-day, and what is the total quantity required. Those who are in contact with the rural life may be able to tell us, but so far none has come forward to tell us. Even though this would be beyond the terms of our reference, we should be prepared to stretch a point and say something if we had some data. This Board, does not as you know deal with any general proposition. It must have some concrete fact before it to express any opinion. It is for that reason I say that we should find it very difficult to get this suggestion in our report—not because we don't wish to do it but because it would serve no practical purpose. You would agree under those conditions. What could we do, when we have no evidence?

Mr. Muzumdar.—You might at least say that the matter is one which requires investigation.

President.—We can say that it is essential that this aspect of the question should be investigated.

Mr. Muzumdar.—That will meet our point.

Mr. Lalljee.—In Bombay and Madras, some quantity of salt is destroyed every year, the reason being that the salt after the monsoon is somewhat muddy and the crystals are not regular. Therefore that salt is destroyed under special permission. If the railway freights can be lowered. . . . . .

President.—People who will eat mud in this country if they get it free will eat that salt.

Mr. Lalljee.—If you make enquiries, you will find that a certain quantity of salt is being destroyed every year. My point is that if that is made use of, the cost of fine salt will be cheaper.

President.—I agree with you, but you cannot put it into the market at a lower price because people will eat it. Then Government will say that it will lose the revenue. If you can produce some kind of salt which human beings cannot eat and which cattle can, then it is feasible.

Mr. Lalljee.—In the same way if a large quantity is made available in Madras and Bombay, the cost of production would become less. Even in Aden, whenever there is a heavy rainfall we have to ask for permission to destroy the salt which becomes muddy.

President.—I wish the whole of the Bombay salt were destroyed.

Mr. Lalljee.—They produce such low quality salt because they have to destroy a certain quantity every year.

Mr. Muzumdar.—May I draw the attention of the Board to the point we have raised about adulteration on page 3 of our representation? We have suggested there that the Tariff Board should examine that question.

President.—As regards the point about the mixing of salt with earth, if you see the Bombay and Madras salt, you will find that it is part of the process of manufacture. What they really require is some supervision over the manufacture of salt. This salt must be pushed out by a better salt.

Mr. Muzumdar.—Apart from the impurity that there may be in the salt when it leaves the works, further adulteration takes place in the course of distribution.

President.—As I have said, in the case of Bengal salt, there are standards by which we can say that the salt has been adulterated. Here, as the salt is manufactured, it is full of mud. If we try to regulate it, it will throw

a tremendous amount of work on the staff and the staff will have to be multiplied. In Madras they cut down the staff and the result is that the quality has deteriorated to some extent.

Mr. Muzumdar.—As in the case of foodstuffs the local authority could have power to prosecute for adulteration. There must be some penalty for adulteration.

President.—That you can only do when you standardise the quality. How can you standardise this salt? Can we say 10 per cent. mud?

Mr. Muzumdar.—If he adds any further percentage of dirt, you must run him in.

President.—What is important is that the quality should be standardised. Supposing this scheme goes through, it will be doing something towards the elimination of adulteration. That disposes of your representation. Is there anything which you wish to say?

Mr. Lalljee.—If you were to standardise the salt, what would be the condition of the Bombay salt now going there?

President.—We are considering that point. The obvious remedy is to improve the taste of the consumer who eats that salt in Bengal by giving him the other salt which is better.

Mr. Lalljee.—The Bombay salt which has been going there for the last 40 years, the Bengalees will be asked not to eat.

President.—Yes, by you. After all, the quantity of salt imported from Bombay to Calcutta is very small.

Mr. Lalljee.—It is 30,000 tons.

Dr. Matthai.—To some extent, the Bombay salt is being replaced by Aden salt.

President.—We are considering that point. The whole point is this. If you have a marketing organisation, it would be its duty to train the consumer. If the consumer still wants that, he can have it at a price.

Mr. Manu Subedar.—Or the producer must be trained.

President.—Or the producer must be trained. There is no other way. But anyhow you will have a chance when this is published for eliciting public opinion.

Is there anything that you would like to say on behalf, of the Maharashtra Chamber of Commerce, Mr. Walchand?

Mr. Walchand.—Nothing in particular.

President.—As regards this application, Mr. Kapilram Vakil, have you got the Chamber to support you?

Mr. Kapilram Vakil.—No. The Chamber is meeting this evening. In the meantime I have to express Mr. J. Mehta's regret at his not being able to be present here to-day and support our application because he is engaged in another committee. He has signed the application along with us, and we have also telegraphic support from all the salt producers in Karachi. There is a meeting of the Chamber this evening, and we shall be discussing this point at that meeting.

President.—This Board functions rather slowly and on somewhat different lines from what you seem to think. This Board does not really make any interim reports: it must examine the question as a whole. But we would be prepared to do this: If you move the Government of India and they feel that they would like to ask this Board for its opinion, on the facts as stated in your representation, by way of an interim report or otherwise, we would be prepared to consider the question. But I think it would be rather a departure from the ordinary way in which this Board functions to issue an interim report.

Mr. Muzumdar.—Our experience is that the Government of India moves still more slowly than the Board does.

Mr. Walchand.—The question has been referred to the Tariff Board of the salt industry being established in the country and attempts are being made to produce salt in the country to make India self-contained as regards salt, but about August 1928 when the first shipment of Indian made salt went to Calcutta, the price which has all along been controlled by a conference or whatever you call it and kept at Rs. 110 dropped down to Rs. 74 or Rs. 78.

President.—I think we have got ample evidence to show that the prices have dropped.

Mr. Walchand.—Last September prices came down to Rs. 52 or Rs. 54. This is a serious handicap to an infant industry which is just coming into being. Therefore we submit that this comes directly under the purview of the Tariff Board. The main idea is, how best to permanently establish the industry in the country and while attempts are being made and enquiries going on prices have dropped owing to the manipulations of the Conference from Rs. 110 to Rs. 50 which will nip in the bud all attempts for the establishment of the salt industry in the country and destroy the industry which has just begun. It should therefore naturally come under the direct purview of the Tariff Board if these facts are accepted.

President.—I quite agree with you, but there is one little flaw in your argument. If the policy of protection was generally accepted by the Government then this Board could well say " protection has been accepted: this industry will come to grief before we take action and we must take immediate steps ". But this is always the issue—whether the industry has made out a case for protection or not, and the case of each has to be considered on its own merits. Therefore unless Government commits itself to a general policy of protection the Board can take no action.

Mr. Walchand.—I agree. I have seen that difficulty and have therefore asked this to be treated as an emergent relief to be temporarily granted which should not be cited as a precedent.

President.—We should be very glad if you could get the orders of the Government of India whether they want us to take action on that point and then we should be glad to advise the Government of India. But, as I say, there is this difficulty that the Government of India must first of all decide that the industry has to be protected. Then Government can say " we will give you relief ". But that very thing is in issue. If you can get the Government of India to say " we have decided to protect the industry and we want to give it interim relief " and ask us for our views then this Board will say what its views are.

Mr. Vakil.—May I point out that it is quite likely that by the time your report is ready in due course and Government gives it its consideration and says protection is granted, it may find that there are no salt works in existence. In that case don't you think that your report will only have an academic value?

President.—I quite agree with you. But that is the policy of Government. It wants to satisfy itself first of all on the merits of each case. We have got to make out a case for the protection of an industry on its merits.

Mr. Vakil.—Which is not likely to exist by the time the report is ready!

President.—That is a question between you and the Government. What can we do? If the Government had adopted a general policy of protection, that is to say industries were entitled to protection subject to an examination, then this Board would be the authority to make that recommendation if it was satisfied that a case for temporary relief was made out. You may take it from me that so far as we are concerned the Board is always willing to do whatever it can for the industry, but it will not do a thing the issue of which is infructuous.

Mr. Muzumdar.—When the situation is so critical cannot the Board take the initiative?

President.—No. That is the trouble. The Board is asked to enquire and report whether a certain industry ought to be given protection and the Government then decides whether that industry has made out a case for the grant of protection. Until that is done Government will not do anything under the present policy.

Mr. Walchand.—Will the Tariff Board meet the application of most of the producers in the country to the extent to report that these people have placed before the Board some facts and figures and that the Tariff Board has got authentic evidence as regards these facts and figures? Will the Board at least send on that application to the Government of India testifying to the correctness of the facts and figures given by the applicants?

President.—But there are no figures that you have given us. In your last representation you said that prices have come down to Rs. 54. The Government of India will want to know whether at that price you are not able to sell your salt. Government may say Rs. 54 is a very good price for you; that it is a fair selling price. That means that we must show that Rs. 54 is not a good price which means that the whole report is there.

Mr. Manu Subedar.—May I say a word not as a representative of the infant industry but of the oldest salt industries in India as regards this drop in prices of salt? I have every sympathy with the application of the other people. You said that if Government wrote to the Board asking for their views the Board would be prepared to give it. In case that occasion arises I submit that the drop in the prices to Rs. 54 does not merely affect the Sun, Moon and Star and other Karachi works and Okha but it also affects the salt which is reaching towards Bengal from the Rajputana salt sources. It enables the imported salt to reach further inland and cut into regions like Central India. Therefore when this question arises, if it does arise, if protection is granted in the form of a bounty to these works it will not do, unless you take effective steps to see that these works do not make inroads upon the Northern India production.

President.—I can tell you that if we were the Government of India we would be prepared to do all that for you, but there are formal considerations for which we are not responsible. I am merely suggesting to you, Mr. Walchand, that if you really want the thing to be expedited we are not the proper authorities for that purpose; you must induce the Government of India to ask us what we think of the situation.

Mr. Walchand.—I have been to Delhi and from there I have come to you!

Mr. Lalljee.—If at all you consider the case at the instance of the Government of India for a bounty will you consider also the claims of Aden, Bombay and Madras?

President.—We have got to consider all claims. So far as we are concerned we are trying to expedite the report and if you wish the Board to do anything more you should follow the procedure I have indicated to you. We are making a very special effort to finish the report as soon as possible. That is all the Board can do. I am very sorry that the Board has not really power to act as you suggest. I agree that there may be occasions on which an interim relief may be necessary but the policy is such that we really find ourselves incapable of taking any action.

Mr. Muzumdar.—Have the Board no discretionary power to make an interim recommendation?

President.—The Board has power to do anything it likes but it has not got the power to compel Government to take action. I have explained to you what the position is. There are two questions. The Government must first decide that protection has to be granted. If Government had decided that, we could say, if we were satisfied, that there was a case for interim relief. That is one difficulty. The second difficulty is that the price of Rs. 54 may be a price which is good for you. Therefore you have got to convince the Government that this is not a price which is good for you,

so that it comes to this that first of all the case for protection has to be established and then that Rs. 54 is not a fair price.

Mr. Manu Subedar.—May I submit that if the form of relief asked for is a bounty then that bounty ought to be made available to all producers.

President.—The point does not arise. You are assuming something. We have not come to that stage.

Mr. Walchand.—We admit, Sir, that your report is not a mandate which Government is bound to accept. But if you are convinced that a temporary relief is necessary on the assumption that the industry in your opinion has to be protected, then Government will think otherwise. The Government are quite free to think as they like but that will be our second line of defence once the Board says that they are convinced that the industry should be protected and that an interim relief is necessary.

President.—You have had instances of other industries which are far more important than the salt industry where no action had been taken.

Mr. Walchand.—But Government may improve!

President.—I am very sorry that that is the position. I don't think the Board can take any step.

Mr. Vakil.—If the Government itself makes a reference to the Board, the Board will not hesitate in placing its views before the Government of India?

President.—If the Government makes a reference I can assure you that the Board will consider it as expeditiously as possible. That I can promise.

* * * * *

President.—I think that this is the last time that I shall have the privilege of presiding over the public proceedings of this Board, and I should like to take this opportunity of making my acknowledgments. I should like to explain that there is a great deal of misunderstanding on the part of the public on one point, *viz.*, the relation of this Board with Government and I should like to take this opportunity of telling you that so far as the Board is concerned, it has no secret relationship with Government. It is entirely independent of the Government. In this sense that Government pays us we are under the Government, but that is about all that the Government does. The only instructions that we get from Government—this is important and I wish you to give as much publicity to it as possible—are our terms of reference and if Government has got to convey to us any other instructions, it conveys them in the same manner as the original terms of reference and after that—you may hardly credit it—Government absolutely forgets the existence of the Board and it is only reminded of it when the Board sends its report to the Government of India. I am rather emphasising this point because a few days ago an enterprising journalist came in and asked me when I should be at liberty to give an article to him on the secret history of the relations between the Government of India and the Tariff Board. I tried to persuade him that there was no secret history and that he had only to look at the proceedings of the Tariff Board to satisfy himself. So far as the Government is concerned, it has never attempted to interfere with the Board's work and you may take that as a really true and correct statement of the position and we appreciate Government's attitude. That is as regards Government.

Now, as regards the co-operation that I have received from the business community, I can not speak too highly of it. I have been here on the Board for seven years nearly and I confess that there has never been an occasion on which the business community has failed me. They have given me whatever advice I sought. They have come to enlighten me with their views on various subjects that have come before me and I leave this Board with a feeling of friendliness between the Board and the business community and I hope that the feeling of friendliness that exists will continue to exist so long as this Board functions.

I should like also to make my acknowledgment to my colleagues. This Board has worked together for four or five years and you could not imagine three persons more differently constituted than we are. I leave it to your imagination to guess what happens between us when we are discussing questions of importance but as you may see from our reports we are a harmonious body, desirous of doing our duty according to our lights. Amongst my most pleasant recollections are the dealings which I had with my colleagues on this Board.

I would also like to add a word about the Secretaries and the staff. I don't believe that there is any Department of Government where so much loyalty and devotion has been shown by the staff to the Members as well as to the performance of their duties. They have done their work under most arduous conditions without any hesitation and, when we toured through Godforsaken parts, under conditions most unpleasant. Every demand that has been made upon the Secretary and the staff has been fulfilled with the utmost loyalty and devotion.

As I say I am leaving this Board with a feeling that on the whole my work has been very pleasant and has been made more pleasant by the co-operation I have received on all hands. This is not the time for me to review my work on this Board. It is for you to form your judgment about my work. As regards its public aspect I may have another opportunity when I may be more at liberty to discuss my views as regards both the conception of the policy of discriminating protection and the way in which it is administered, but this is not the place and this is certainly not the time for it. I must wait for another opportunity. In the meanwhile, I thank you all, Gentlemen, once more.

Mr. Lalljee.—We have been very much thankful to this Tariff Board for treatment always accorded to us. What little we have done—I mean the Indian merchants and especially my Chamber—we have done as part of our duty. When this Board was formed seven years ago, great hopes were raised and I can safely say that so far as my Chamber is concerned those hopes have been fully realised. So far as yourself and your colleagues are concerned, we know very well and we feel very much that you have taken all the trouble and care necessary in the discharge of the work that has been entrusted to you and there is the further consolation that all your reports that we have gone through have been such that they have met with the approval of the public to a large extent.

So far as I am concerned, I have had the honour of giving evidence before your Board on more than half a dozen occasions and I can tell you that whenever I have appeared before the Tariff Board I have always felt that I have come before a Board of gentlemen who are anxious to help the industries as best they can and as such I may once again tell you that we have had ample proof to show that there has been no doubt about equal treatment to all the parties so far as the questions before the Board are concerned and I hope that in future also the Board will be such as will keep up those traditions. I may add that we do feel that your absence would be a loss. At the same time we hope that Government will give us a person in your place who will inspire the same confidence as you have done.

Mr. Muzumdar.—Before you leave that chair for the last time Sir, I should like to take this opportunity as a representative of the business community and also as a citizen of saying how much we have appreciated your services as President of the Tariff Board. I am personally connected, in a way, with an industry that owes much to the labours of the Tariff Board. The business community, Sir, will be sorry to lose you, but we hope that your successors on the Board will discharge their duties with the same thoroughness, the same impartiality, and in the same spirit of service that you, Sir, have always extended to the industries of the country. With these words, I should like to associate myself with all that Mr. Lalljee has said and wish you a long life and prosperity in your retirement.

Mr. Walchand.—On behalf of the Maharashtra Chamber of Commerce, I should like to associate myself with all that has been said by both Mr. H. A. Lalljee and Mr. Muzumdar.

Mr. Manu Subedar.—May I add a word to what has been said. While it is going to be a great loss to the business community to lose a President like you who has fearlessly handled questions before him, we wish you a long life and prosperity where you are going, but we trust that your services to the country will not be altogether lost and we shall soon have you amidst us again in some big part in the great constructive effort which is going to be made as a result of the Reforms.



MESSRS. PARRY & Co., Ltd., Madras.

Evidence of Mr. C. E. WOOD recorded at Ootacamund on Thursday the 12th September 1929.

Salt.

President.—Is your firm interested in salt?

Mr. Wood.—Yes, we manufacture salt for Government.

President.—Where do you manufacture?

Mr. Wood.—At Cuddalore.

President.—Have you got an excise license or a modified excise license or what?

Mr. Wood.—We manufacture under Government supervision.

Dr. Matthai.—Are you bound to sell to Government?

Mr. Wood.—We sell through Government.

Dr. Matthai.—Then I think it is a monopoly factory.

Mr. Mathias.—How much salt do you produce?

Mr. Wood.—We make 30,000 to 40,000 maunds a year. Compared with what is imported it is nothing.

President.—Is there a salt market in Madras?

Mr. Wood.—Yes.

President.—Have you any association like the Salt Association?

Mr. Wood.—No. We sell to dealers.

President.—You buy it from Government at a fixed price?

Mr. Wood.—No. We manufacture under Government supervision; we store under Government supervision and the merchants come and buy from us the salt as it remains on Government stacking ground at the factories.

President.—I am talking of Madras.

Mr. Wood.—In Madras itself we don't sell.

President.—Can you tell me whether there are any large dealers in salt in Madras who would be able to give us this information? We want to see how the salt market is organised.

Mr. Wood.—I will let you have this information.

President.—The whole point is this, that Government is not supposed to make any profit on the salt but is supposed to sell it at what it considers a reasonable price. That price I want to find out. Has that any relation to what we might call the world price?

Mr. Wood.—It must have. There is a large market in Calcutta.

President.—I want to know from the economic point of view how prices are governed in the salt market in Madras. Government price is not the economic price. They sell at what they consider a reasonable price which is governed by supply and demand. Occasionally it happens that there is a bad manufacturing season owing to bad weather conditions and the price of salt goes up. I find from the Salt Administration Report that in 1926-27 the retail prices at Ganjam were pretty high. It was sold at about 7 annas a maund to which duty has to be added, which will work out at one rupee eleven annas while the salt was actually re-sold at Rs. 3 per maund at Ganjam.

Mr. Wood.—That was because of short supply.

President.—In 1927-28 it was Rs. 1-7-0 with the duty and it was being sold at 15 seers to the rupee: that was about Rs. 2-12-0 a maund. If Government really did control prices such a thing should not happen in a

place where salt is produced. So I am trying to find out how far Government is able to control prices.

Mr. Wood.—They cannot control because somebody gets hold of the salt and profiteers on it.

President.—How are the prices governed?

Dr. Matthai.—In Madras the Government is supposed to have its own stock?

Mr. Wood.—Yes.

Dr. Matthai.—You sell the salt to Government and they have fairly large stocks.

Mr. Wood.—But then the wholesale dealer comes to Government and buys a whole lot and profiteers on it.

President.—Are you in touch with the retail market at all?

Mr. Wood.—No.

President.—Will you be able to give us the whoelsale price at which you purchase and the price at which you sell to the wholesale dealers? Give it for the last five years.

Mr. Wood.—I will send you the information.

Mr. Mathias.—Are you under contract to sell to Government at a fixed price?

Mr. Wood.—No.

Mr. Mathias.—All that you are responsible for is to manufacture the salt under Government instructions and pay the duty on it?

Mr. Wood.—Yes. I can tell you that the manufacture of salt has not paid and we have very often considered the question of giving it up.

President.—Because that market is not properly organised.

Dr. Matthai.—Have you ever tried to make white salt for Bengal?

Mr. Wood.—Only on a laboratory scale.

Mr. Mathias.—Why are you not able to obtain a higher price from the wholesalers?

Mr. Wood.—The manufacturer is not generally a man who bothers about getting more than a reasonable profit: he cannot waste his time bargaining.

Mr. Mathias.—What prevents you from raising your price?

Mr. Wood.—You may get left with stocks!

Mr. Mathias.—What is it due to? Is it Government competition?

Mr. Wood.—There are factories all over the Presidency. Ours is only a small one as compared with some. There is a large factory down at Porto Novo which is only 10 miles away.

President.—As a businessman do you think there is room for so many factories in the Presidency? It must increase the cost of marketing and of manufacturing and supervision, would it not?

Mr. Wood.—Government supervision undoubtedly.

President.—It must also increase to some extent the cost of producing your salt.

Mr. Wood.—Not very much more so than having your agriculture spread all over the place.

President.—Really speaking there are four centres for manufacture in British India, we will say Madras, Bombay, Karachi and the Northern Indian Salt Range, whereas you will find hundreds of small factories spread all over the country. That is the point. Government originally intended that salt should be a Government monopoly when the salt department was started. In fact they were working it as a monopoly but gradually now it is neither a monopoly nor strictly a private enterprise and the consequence of that is that hundreds of these small factories have sprung up, which Government have to supervise to protect its own revenue. Machinery cannot be used

because some of these places are very small. The consequence is that the cost of manufacture has gone up, supervision has gone up and what is more there is no control over prices.

Mr. Wood.—Has the cost of manufacture gone up any more than the cost of everything else?

President.—Costs have not come down. What I mean is that small scale production must necessarily keep up cost of production. Supposing you were to manufacture 100,000 gallons of spirit instead of 600,000 gallons your costs would go up.

Mr. Wood.—It depends entirely on how much supervision you give it.

President.—Here the supervision has to be very elaborate.

Mr. Wood.—Yes, for the Government but not for the manufacturer.

President.—That money is wasted from the public point of view.

Mr. Wood.—I quite agree that the cost of Government supervision must be relatively high.

President.—And therefore I say somebody eventually has to pay for it, either the taxpayer or somebody, which is really so much money wasted, and that is very largely due to the fact that you have got these small scale factories.

Mr. Wood.—It undoubtedly puts the Government cost of supervision up.

President.—In Cuddalore how many months during the year can you work? Can you work for seven months?

Mr. Wood.—We have rain in July and we have rains again in October and November.

Mr. Mathias.—You have to pay for the Government supervision, have you not?

Mr. Wood.—We have to pay a cess.

President.—Formerly you had to pay whatever was in excess of 5 per cent.; now they have fixed it at 10 per cent.

Mr. Wood.—Yes.

President.—Instead of having this supervision in 300 places supposing there were four or five big centres, that would bring down the cost of general supervision on the part of Government and consequently prices can be regulated better than in 300 different centres. Supposing there was one big marketing company then the profiteering by the wholesale dealer and the retailer may be largely controlled.

Mr. Wood.—I don't think you could control any better.

President.—Take the case of oil: take the case of matches. They are controlled because there is one big marketing company which controls and fixes prices. That is not possible in the case of salt.

Mr. Wood.—No.

President.—It does not matter what the wholesale price of Government salt may be, the retail price and the wholesale price in the country are not very much affected. There is some leakage there which it may be advisable to stop if possible.

Mr. Wood.—You have the disadvantage in a large central place of the cost of transport all over the country. That is a very big factor.

President.—Even so you will find that salt is manufactured all along the coast line so that the cost of transport would not increase very much because it has got to come from the coast to the interior in any case.

Mr. Wood.—It would depend very much on how the manufacturing places were distributed.

LEVINGEPURAM FACTORY, MANNAR AYYAH SALT FACTORY, SEVANDAKOLAM FACTORY, TUTICORIN.

Evidence of Messrs. MANNAR AYYAH, S. V. NALLAPERUMAL PILLAI and M. R. M. RAMA PILLAI recorded at Tuticorin on Wednesday, the 16th April, 1930.

President.—The reason for our visit here is a letter which we received from the Tuticorin Salt Works Syndicate on the 2nd of October, 1929. Does the Syndicate still exist?

Mr. S. V. N. Pillai.—Yes, it does.

President.—Are you members of it?

Mr. S. V. N. Pillai.—We are. But Mr. Mannar Ayyah is not. He is the owner of a big salt factory, Karapad Extension No. III Salt Factory, Tuticorin (*i.e.*, Mannar Ayyah Salt Factory).

President.—You have made various requisitions in this letter, but I am afraid that it does not deal entirely with the subject which we are examining. We are bound by our terms of reference. I think I had better explain exactly what it is that we are enquiring into. We have been asked to report whether having regard to all the relevant considerations it is desirable in the national interest that steps should be taken to encourage the production of salt in India suitable for consumption in the Calcutta market. Of course, national interests mean something wider than the interests of the Tuticorin merchants.

Mr. Ayyah.—Yes.

President.—Whereas your letter of October 2nd deals almost entirely with the position of the salt trade here and what you want done is to encourage the Salt Industry in Tuticorin. There is rather a wide divergence between the two. What we want to know really is whether you can produce the kind of salt which is suitable for the Calcutta market.

Mr. Ayyah.—Yes, there is scope for it.

President.—You are producing kurkutch salt which is not considered very good salt on the Calcutta side. A certain amount of that is exported but not very much.

Mr. Ayyah.—That is true. But we can also produce and supply fine white salt suitable for the Calcutta market.

President.—Now I understand that at present you are able to sell all the salt that you manufacture.

Mr. Ayyah.—We are not able to sell all the salt. There is a lot of surplus.

Dr. Matthai.—We put that point of view because the Inspector told us that the average production of the last five years was somewhere about 23 lakhs of maunds and that the sales also roughly amounted to 23 lakhs of maunds. Therefore the conclusion is drawn that you find a sale for practically all the salt that you produce. We should like to hear what you have to say.

Mr. Ayyah.—Our point of view is of course different. We always find over-production and a lot of surplus. We also find as the effect of that surplus an undue amount of competition amongst the manufacturers and we have to sell at very low rates. The production of each year could not be disposed of in that year. It has to remain a dead stock in our platforms for one, two, three and sometimes even four years.

President.—Here on your works?

Mr. Ayyah.—Yes, on our works.

President.—How much have you in stock now?

Mr. Ayyah.—I think I have about 70,000 or 80,000 maunds of salt.

President.—What do you consider as your surplus production?

Mr. Ayyah.—Myself?

President.—No, for the whole works. You were selling about 23 lakhs of maunds a year.

Mr. Ayyah.—Our average production would be about 27 to 30 lakhs of maunds. Even then we are not working up to the full capacity because all the salt that we can produce does not find a ready sale.

Dr. Matthai.—The total average production of your factories is 27 to 30 lakhs of maunds and you are not working to full capacity?

Mr. Ayyah.—Yes.

Dr. Matthai.—If you made no further extensions but simply utilised to the full your existing works, would you be able to produce 30 lakhs of maunds?

Mr. Ayyah.—Yes.

Dr. Matthai.—Out of that 27 to 30 lakhs of maunds, you could find a ready sale for how much?

Mr. Ayyah.—18 lakhs of maunds.

President.—But you have been selling 23 lakhs of maunds.

Mr. S. V. N. Pillai.—We used to sell to Colombo, but that has stopped.

President.—The average sale for the last five years is 23 lakhs.

Mr. S. V. N. Pillai.—In 1928, we used to send to Colombo, but that has stopped now.

President.—In 1929, you sold 21½ lakhs.

Mr. Ayyah.—That was due to the fact that there was an occasional market in Ceylon. On account of the failure of the manufacture of salt in Ceylon they indented on our salt. That has stopped now. From Travancore also we used to get orders.

Dr. Matthai.—You lost the Ceylon market in 1928?

Mr. Ayyah.—Yes, at the end of 1928.

Dr. Matthai.—Your sales for 1929 and 1930 stand at 21 lakhs. That might be taken as your normal sales supposing for example the Colombo market was entirely lost to you?

Mr. Ayyah.—That I shall have to explain. In those years we competed with the manufacturers of salt in other salt producing centres. We went even as far north as Chingleput, North Arcot, Salem, South Canara and other places usually supplied by the above-said manufacturers. We had to go to those places because we wanted somehow to dispose of our salt.

Dr. Matthai.—Did you sell at uneconomic prices?

Mr. Ayyah.—Yes. We are selling like that because we are manufacturing more than we are able to dispose of.

Dr. Matthai.—Could you give us the prices at which you disposed of your salt in districts like Chingleput?

Mr. Rama Pillai.—We used to supply salt to the Fisheries Department at 1 anna 10 pies to 2 annas per maund.

President.—How much did you sell?

Mr. Rama Pillai.—Two lakhs of maunds.

President.—That is rather a special case.

Mr. S. V. N. Pillai.—Every year we are selling like that.

President.—You sell that at a reduced rate. I suppose it is done to encourage the industry.

Mr. Ayyah.—It is a question of finding the money back which we have invested.

President.—What about my colleague's question regarding prices in Chingleput?

Mr. Rama Pillai.—In Bangalore it is sold at 3 annas.

President.—Three annas is not an uneconomic price.

Mr. Ayyah.—It costs 2½ to 3 annas to manufacture. Since the close of the war price is very low and does not give any margin to the manufacturer.

Dr. Matthai.—Is it your suggestion that if any part of your salt realised at the works a price of 3 annas a maund it would not cover your expenditure?

Mr. Ayyah.—It just covers the cost of manufacture. It does not give us any interest on the outlay. The cost of manufacture and supervision alone comes to 2½ to 3 annas.

Dr. Matthai.—That statement is rather in contradiction with the statement of costs which we have received from the Salt Department. I think that you ought to see these figures. We have been given the costs of six representative factories and in no case does the cost including the interest on capital exceed 2 annas 11 pies. On an average it comes to 2 annas 9 pies and you realise *ex*-works a price of 3 annas for your sales in Chingleput.

Mr. Ayyah.—The railway freight is paid by the trader. The price that we realise at the railway station here is 3 annas. I beg to submit in this connection that the Governent itself had considerable pans here and were manufacturing salt for three or four years and their cost of manufacture alone without including supervision charges and interest on capital, was not less than 3 annas.

President.—That is because they were not as good manufacturers as you are.

Mr. Ayyah.—Their own special inspectors and assistant inspectors were not paid anything extra for supervision. Still their cost of manufacture alone was not less than 3 annas and private manufacturers had to incur as much as 2½ to 3 annas.

Dr. Matthai.—Let us get back to the point about present rates. On your figures the total average production of the Tuticorin works is 27 to 30 lakhs without any further extension?

Mr. Ayyah.—Yes.

Dr. Matthai.—On your estimate the total sales that may be expected for Tuticorin salts will be roughly how much?

Mr. Ayyah.—Without any extraneous markets, it would be about 18 lakhs.

Dr. Matthai.—18 lakhs of maunds is the normal sale for Tuticorin salt?

Mr. Ayyah.—Yes.

Dr. Matthai.—Therefore on these figures you have roughly a margin of 10 lakhs.

Mr. Ayyah.—10 to 12 lakhs.

Dr. Matthai.—What further extensions do you think are possible?

Mr. Ayyah.—You mean extensions of salt manufacture?

Dr. Matthai.—I mean factories.

Mr. Ayyah.—Even the present factories, if they are assured of markets, can produce about 7 to 10 lakhs of maunds more. We are not working to our full capacity because in several factories storage accommodation is blocked up by the previous years' stocks and therefore they are constrained to restrict their manufacture.

Dr. Matthai.—You give a figure of 27 to 30 lakhs. What is the total area under cultivation in Tuticorin?

Mr. Ayyah.—813 acres.

Dr. Matthai.—Supposing you take the total production as 30 lakhs, what is the average output per acre?

Mr. Ayyah.—About 4,000 maunds. When I say 813 acres, I mean the whole area including reservoirs and condensers. Without reservoirs and condensers we cannot manufacture salt.

Dr. Matthai.—So that on your estimate each acre produces about 4,000 maunds?

Mr. Ayyah.—Yes.

Dr. Matthai.—The figures that we have show a production per acre of 3,000 maunds. Your figure of 30 lakhs seems to me to indicate that you are taking a rather high figure of production per acre. You say that it might be possible to produce a little more from your existing works. You are very, very hopeful.

Mr. Ayyah.—Two of the factories have had to stop manufacture for a month or two before the close of the manufacturing season because there is no accommodation for keeping the salt manufactured. Stocks of salt manufactured in previous years lying unsold cramp up the whole space. There is no further space available and so they have stopped manufacturing. Further powdery portion of the salt manufactured, is separated and thrown away into factory channels, as there is no market for powdered salt. This is not brought to Government account at all.

Dr. Matthai.—With further storage accommodation, you may produce how much?

Mr. Ayyah.—Supposing we manufacture in Levingepuram and other factories about 4,000 maunds per acre, we can produce in Sevandakolam factories about 8,000 maunds (eight thousand maunds) per acre.

Dr. Matthai.—I don't quite follow that.

Mr. Ayyah.—We can produce in Sevandakolam double of what we can produce per acre in other places.

Dr. Matthai.—Why?

Mr. Ayyah.—Because the soil there is better fitted.

President.—Where is that situated?

Mr. Ayyah.—Just north of the creek and west of the roadway.

President.—What is the difference due to?

Mr. Ayyah.—The soil is more clayey.

President.—Is the brine stronger there?

Mr. Ayyah.—Yes. It is drawn from the wells.

President.—What is the strength of the brine?

Mr. Ayyah.—12 to 15°B.

President.—Supposing it was possible in addition to the existing works to bring further land under cultivation—the Inspector of Salt told us that it was possible to bring about 70 acres more under cultivation and not more—taking your average yield of 4,000 maunds per acre, that gives you roughly about 2 to 3 lakhs.

Mr. Ayyah.—Yes.

President.—Taking your figure of 18 lakhs as your normal sales and 30 lakhs as your full output, you get a margin of 12 lakhs and to that you add about 2½ lakhs, so that on your estimate there is a surplus of about 15 lakhs of maunds. Is that the position?

Mr. Ayyah.—Yes.

President.—For that you want an outlet in Bengal?

Mr. Ayyah.—Yes.

President.—15 lakhs of maunds is roughly 50,000 tons. The total requirement of the Bengal market is about 500,000 tons in a year, of which 10 per cent. is kurkutch and the rest is white salt. Therefore the total demand for kurkutch is 50,000 tons. What you are asking for is that Tuticorin should supply the whole of that quantity.

Mr. Ayyah.—We don't say that we will exclusively supply the whole of the Bengal market demand for kurkutch. We say that we will supply about 12 to 15 lakhs of maunds both kurkutch and white salt.

President.—That is the whole consumption of kurkutch in Bengal.

Mr. Ayyah.—Yes. We can also crush and refine our salt and supply fine crushed salt provided we are quite sure of the market. The only thing that has been standing in the way is that there is no guarantee of a market at all in spite of our fruitless attempts.

President.—Have you made any efforts to crush it?

Mr. Ayyah.—We propose to crush it, though we have not actually done so. We sent our salt at the instance of the Madras Salt Department to Calcutta. In 1922, we sent about 6 lakhs and in 1923 about 4 lakhs.

President.—Was that crushed salt?

Mr. Ayyah.—That was uncrushed salt, which found a ready sale. The difficulty was that we could not stand the foreign competition, because as soon as we landed our salt in Calcutta, the foreign manufacturer was able to reduce the price to such an extent that we could not stand the competition. We had to sell at a loss.

President.—You mean that the combine did it?

Mr. Ayyah.—Yes.

President.—But the combine is no longer in existence.

Mr. Ayyah.—It was in existence when we sent it. If really Government would give us a guarantee for the sale, we are prepared to send salt to Bengal. Another difficulty which I want to bring to the notice of the Board in this connection is the steamer freight.

President.—Let us be quite clear. You say you can find, if sufficient encouragement is given, a sale for your surplus in Bengal. That is largely a question of price, is it not?

Mr. Ayyah.—Yes.

Dr. Matthai.—Since you sent in your representation, we take it that you have considered this question in detail. What is the sort of price *ex*-ship Calcutta which would give you here in Tuticorin a fair return ?

Mr. S. V. N. Pillai.—One rupee a maund.

Dr. Matthai.—You want Rs. 100 per 100 maunds *ex*-ship Calcutta.

Mr. S. V. N. Pillai.—Yes.

President.—You would hardly claim, if Karachi could sell their kurkutch salt at Rs. 70, that Tuticorin should be given Rs. 100? Would it be in the national interest that the people of Bengal should pay Rs. 30 more per 100 maunds for Tuticorin salt when they could get it from Karachi at Rs. 30 less?

Mr. Ayyah.—I beg to submit in this connection that the foreign salt is selling at Rs. 120 or Rs. 130 per 100 maunds. As far as the consumers' interests are concerned, that is a question which ought to be shelved for some time for protecting the national Industry if any real help is to be given to our industry. The consumer will not at all go to the dogs if he has to pay one pie more for a measure of salt. Even the poorest man will not be prejudicially affected by this, as each person's consumption of salt is only very little.

Dr. Matthai.—On your figures what you call sufficient encouragement for Tuticorin kurkutch would mean an increase in your price of 100 per cent. that is to say, at present kurkutch is realising in the Calcutta market about Rs. 50 or Rs. 52 *ex*-ship and you want a price of Rs. 100, that is to say, the consumer is asked to pay 100 per cent. more which means an increased duty of 100 per cent. Do you really think that public opinion in India would accept that? The public opinion will certainly be for encouraging Indian salt though at a slightly high price, in consideration of developing the national salt Industry and for making India not dependent on the precarious supply of foreign salt, as was demonstrated during the war and in consideration of

making a saving to India of the drain of about 2 crores of rupees to foreign countries.

Mr. Ayyah.—After all there is a compensation. You would give employment to a lot of unemployed people by giving us encouragement, and prevent the drain from India to foreign countries of about 2 crores of rupees being the price paid to the foreign salt *ex*-duty. I beg to submit that if Karachi offers to supply at Rs. 70, probably it is done with the idea of getting at least a footing in the Calcutta market.

Dr. Matthai.—We have examined their costs in great detail.

Mr. Ayyah.—Perhaps it is due to the cheap freight rates that they are able to command that Karachi is able to offer at such low rates. After all, it resolves itself into a question of freight rates.

President.—Let us get to the question of labour. You were saying just now that if the sale of Tuticorin salt was encouraged you would be able to give employment to the unemployed hordes of India. I was going to say—we have made a short calculation—that if the whole of the 500,000 tons was produced in India, it would give employment to only 4,000 people of the uneducated type. Surely it is not very large.

Mr. Ayyah.—Anyhow that is something. We think a much larger number of people will get employment, besides a number of educated people also.

President.—You were speaking about freights. I see you have asked us to fix it at Rs. 5. How would you propose to go about it?

Mr. Ayyah.—We understand that the foreign salt comes to Calcutta at nominal freight rates—almost at ballast rates. In our present condition, unless some advantages are given to us so far as freights are concerned, it would be impossible for us to market our salt in Calcutta.

President.—How do you propose that we should do it?

Mr. Ayyah.—That could be done by Government by arranging with the steamer companies, in the interests of the national industry, to charge only low freights on salt.

President.—Supposing the shipping companies refused to charge low rates?

Mr. Ayyah.—Government ought to give us some bounty to enable us to market the salt.

President.—That is a different proposition. If you wanted a bounty, then the Karachi people would also have to be given the same bounty. It is not possible to give you a bounty and to refuse the same to Karachi manufacturers.

Mr. Ayyah.—Probably they don't want any bounty.

President.—Let us put it this way. Tuticorin can sell its salt at Rs. 100 per 100 maunds. Karachi can sell its salt at Rs. 70. The average price of kurkutch is perhaps Rs. 50. Therefore Tuticorin wants a bonus of Rs. 50. If a bonus of Rs. 50 is given, then Karachi is sure to undersell you. You cannot offer bonus or bounty to only one part of the country and not to another.

Mr. Ayyah.—There is this thing to be considered. We are an infant industry and have to get a new footing in the market which has been the monopoly of the foreign salt manufacturer. Therefore some sort of extraneous help ought to be given to us, and the indigenous industry should be put at least on an equality with the foreign one.

Dr. Matthai.—If you are developing an infant industry in India, you ought to allow the industry to develop in areas which are most suitable and the most suitable place is the area where the costs are lowest. Supposing Karachi costs are lower, you have no claim against Karachi. If you want Rs. 100 for 100 maunds, you can take it from me that your costs are much higher.

Mr. Ayyah.—Tuticorin is as equally suitable as Karachi. With Government protection, Tuticorin costs will surely come to the level of Karachi

costs. Rs. 100 includes the freight of 6 annas a maund. With lowering of freight rates we could offer our salt also at lower rates.

President.—When did you get this quotation of freight?

Mr. Ayyah.—In 1928 and 1929.

Dr. Matthai.—When did Chari send his shipment?

Mr. Ayyah.—Last year.

Dr. Matthai.—What did he pay?

Mr. Ayyah.—About Rs. 10 a ton.

President.—What are the shipping charges?

Mr. Ayyah.—4½ annas per bag.

President.—That is pretty high.

Mr. Ayyah.—Yes, that is from the works to the steamer.

President.—That is over Rs. 4 per ton.

Mr. Ayyah.—Yes.

Dr. Matthai.—How do you transport the salt from the works to the ship?

Mr. Ayyah.—It is taken by rail from the works to the foreshore and from the foreshore it goes in lighters.

President.—As regards taking salt to the Bengal market in bond, you can take it in bond.

Mr. Ayyah.—Yes, we are now permitted to take it in bond.

President.—It is an old grievance which has been removed.

Mr. Ayyah.—Yes.

President.—Then, you say about pier dues and other charges at Calcutta. All the other Indian salts pay the same charges. All salts are treated on the same level.

Mr. Ayyah.—Yes, but there is not much facility so far as warehousing is concerned. There is not sufficient warehouse accommodation for the Indian salt and European importers are given preference.

President.—We were not able to find any difference between the Indian salt and the other salts. So far as we have been able to see, there is ample accommodation for all the salt that comes.

Mr. Ayyah.—Our experience in 1922-23 was that we had to pay something extra.

President.—1922-23 was a long time ago.

Mr. Ayyah.—Yes, but after that, we had not been given a chance.

President.—You can take it from me that there is ample golah accommodation.

Mr. Ayyah.—Even for taking it in bond, there were restrictions. It is only recently that the Department has given some facilities but unfortunately we are not able to take advantage of the facilities offered.

President.—Because your costs are too high.

Mr. Ayyah.—It is not a question of costs here alone.

President.—I mean c.i.f. costs.

Mr. Ayyah.—Yes, the transport costs and the freight costs are very high, for which we want substantial help and protection from Government.

President.—What about the crushing of salt? Have you made any experiments?

Mr. Ayyah.—We did not actually try it. It was proposed by Chari's to erect a shed and install the plant but seeing that there was no assured market in Bengal, it was not done. I think that we have even been advised by the officers of the Department that crushing could easily be done and that Tuticorin salt is best fitted for the Calcutta market because this is the only centre which produces such large quantities of salt and that too very, very white salt, of all manufacturing centres in the Presidency and that

Tuticorin salt if crushed will be equal in quality to the foreign salt. Further we have a very fine and long continuous season from about February to about middle of October. The same cannot be said of other manufacturing centres.

President.—They have a better season in Karachi.

Mr. Ayyah.—Our salt is the whitest.

Dr. Matthai.—In the Madras Presidency?

Mr. Ayyah.—Yes. That has been the opinion of successive Commissioners of Salt, Madras.

Dr. Matthai.—Why exactly did Messrs. Chari and Company not proceed with their scheme?

Mr. Ayyah.—It was not proceeded with on account of their financial trouble in other things. The Company transferred whatever interests it had to a Chetti who is trying to carry on the manufacture.

President.—You have no personal experience of crushing salt?

Mr. Ayyah.—No. But we are prepared to crush salt provided an assured market is guaranteed to us, in Bengal.

President.—What about the Department? Successive Commissioners were saying that this was the whitest salt. Did they make any experiments with it?

Mr. Ayyah.—In 1918-19 and 1919-20, they came and inspected the factories. They took note of the salt, subjected it to chemical analysis and certified that this was the best salt. This fact would be found in the Madras Salt administration reports and records of the Salt Department of 1918-19 and 1919-20 and other years.

Dr. Matthai.—They said that Tuticorin salt was the best in the Madras Presidency?

Mr. Ayyah.—Yes.

President.—Did they say that it was suitable for crushing?

Mr. Ayyah.—Yes, *vide* Salt Administration Report, Madras, 1918-19, page 5, para. 12 and Proposals of the Board of Revenue in their reference Gt. R. No. 381 Salt, dated 29th September 1919, to the Government of Madras.

President.—I see that the Madras Government have been anxious to put the Tuticorin salt in the Bengal market. But have they made any experiments in crushing? The crushing plant is a very inexpensive plant.

Mr. Ayyah.—They thought of installing a plant in Tuticorin and another at Naupada but subsequently they gave up the idea.

President.—Why?

Mr. Ayyah.—I do not know. To enable you to understand our pitiable plight, I beg to submit that till about the beginning of the war our production was only 12 lakhs of maunds. Pressed by the Bengal Government, the Madras Government offered inducements to us to take up more land. We came forward and invested large capital with the idea that there was a market in Bengal. The area was extended from 252 to 813 acres and by the time we were able to manufacture salt, the price fell down with the result that the owners of these new factories lost almost all they had. They were simply drowned. Then, Government said 'you had better make refined salt' (and compete 'on your own responsibility without expecting any protection') and gave up the idea of giving us a footing in the Bengal market. We were stranded in that way. But for the inducements given to us by the Madras Government we would not have expanded and sunk so much money.

President.—Assuming all that to be true, how do you propose to go about it?

Mr. Ayyah.—Give us some protection that you are prepared to give to other centres.

President.—If you want Rs. 100 how can any scheme of protection help you?

Mr. Ayyah.—So far as the Bengal consumption is concerned, let us take it to be 130 lakhs of maunds. Take the excess production in Tuticorin and in other parts of India and give a footing in the Bengal market for that excess production and allow the foreign salt to come in for the balance. If the foreign salt is allowed to come in freely as it does now, it will wipe out all the Indian salt. The foreign manufacturers can stand competition for a fairly long period—say 10 or even 20 years—because they are producing salt only as a bye-product, and because they enjoy very low steamer freights and other facilities which are denied to us and because the heavy chemicals of salt manufactured by them fetch huge profits. That is the real position

President.—The position at present is that most of the salt imported into Calcutta comes either from Aden or other Red Sea ports. None of the salt factories on the Red Sea produces salt as a bye-product. Only their freights to Calcutta are not quite as high as that from Tuticorin, being about Rs. 6 to Rs. 8 per ton.

Mr. Ayyah.—But what about Liverpool?

President.—Liverpool sends 60,000 to 70,000 tons. Practically all the salt comes from Red Sea. I think that European salt does not come to very much more than 120,000 tons.

Mr. Ayyah.—They have been in the field for a long time and they enjoy special facilities as detailed above and therefore they can stand the loss for some time.

Dr. Matthai.—What you want is special treatment for Tuticorin as distinct not merely from foreign salt but also from other centres of Indian salt?

Mr. Ayyah.—If we could command the same freight rates as Karachi, we would also accept the same price.

Dr. Matthai.—It is very much more than a question of freight rates. The expenditure that they incur for transporting their salt from the works to the ship is very much less than yours, so that it is more than a question of freight.

Mr. S. V. N. Pillai.—We have to take our salt in lighters.

Mr. Ayyah.—If we are sure of the market we can negotiate and bring down transport charges also. With Government protection in the beginning, we can adjust our charges to the level of Karachi.

President.—Your salt at present contains at least 3 per cent. magnesium chloride which renders it very wet and unsuitable for crushing. The machinery will be clogged and you will not be able to crush it. Your method of manufacture would need also considerable variation—elimination of bitterns, preparation of the beds, careful testing of the density and not allowing the brine to remain in the pans after 29° B. and so on. As I understand it, your factory is laid out to produce at the cheapest possible cost the kind of salt which is required by the local market. Now if you want to capture the Calcutta market you must produce the kind of salt which the Calcutta market will accept.

Mr. Ayyah.—Our salt has not at all been found unfit for crushing. On the other hand expert opinion is that our salt is best fitted for crushing. At the time of the war we were given hopes that we could easily sell our salt at Calcutta. On that understanding, we extended our factories and have laid out our factories on up-to-date lines capable of producing salt equal in quality to foreign salt. We are prepared to adopt scientific and improved methods and produce the kind of salt suitable for the Calcutta market provided a market is guaranteed.

President.—Actually during the war when the price of salt went up in Calcutta to Rs. 435 per 100 maunds they only imported about 4 lakhs of maunds from Madras.

Mr. Ayyah.—Probably Madras supplied other parts of India, *viz.*, Bihar and Orissa, Hyderabad State, Central Provinces, etc., as it could not command shipping during the war.

Dr. Matthai.—During the war, Aden increased very largely its production when the supplies were cut off from Liverpool. I think that Madras had relatively a small share of the market when the price was high and when the supplies were cut off from Europe.

President.—Are you acquainted with the prices in the bazar?

Mr. Rama Pillai.—Yes.

President.—The licensee in the first place sells to the merchant. Is that correct?

Mr. Rama Pillai.—Yes.

President.—Then the merchant sells to the retailer?

Mr. Rama Pillai.—Yes.

President.—The Inspector has told us that the price which the licensee gets for his salt in Tuticorin is about 3 annas 6 pies a maund.

Mr. Rama Pillai.—That is the average price.

President.—How much does the merchant get from the retailer?

Mr. Rama Pillai.—3 or 6 pies per bag more.

President.—That would mean that he would get 3 annas 9 pies per maund.

Mr. Rama Pillai.—Yes.

President.—Now then the retail dealer sells by the Madras measure.

Mr. Rama Pillai.—Yes.

President.—How much, on an average, does he charge per Madras measure?

Mr. Rama Pillai.—1 anna 2 pies to 1 anna 3 pies per Madras measure.

President.—Is the pie actually current here? Does a man go and buy a Madras measure and pay 1 anna 2 pies or pay 1 anna 3 pies and get a few chillies as change? In other parts of India we find that the pie piece has gone out of currency. The smallest piece of money is the pice. Most of the articles so far as we could ascertain are sold to the nearest pice, that is to say that if they cost the retailer on an average 1 anna 4 pies he would sell them at 1 anna 6 pies. Could you find out whether that is the custom or not?

Mr. Rama Pillai.—The lowest coin is the pie piece. People are scrupulous about parting with the smallest pie.

President.—It would be possible for any one to go and buy one pie worth of salt?

Mr. Rama Pillai.—Yes.

President.—Do the people of this province go further and buy a cowrie's worth of salt?

Mr. Rama Pillai.—That is not current.

President.—When a very poor man goes to a shop and buys a few chillies and a few cardamoms and some other spices, is it the custom in this part of India to give him a pinch of salt?

Mr. Rama Pillai.—No doubt if the poor man asks for a present of salt, the shopkeeper would have no objection to give him.

President.—That is the customary amount he gets. The amount will be the same whether the retailer is paying 4 annas or 5 annas a maund.

Mr. Rama Pillai.—It is not customary. It is only seldom that a poor man will ask for a pinch of salt as a present.

Dr. Matthai.—If you take the ordinary class of people—not the very poorest—what is the usual quantity which a purchaser buys from the retailer?

Mr. Rama Pillai.—The poorest people will purchase anything between $\frac{1}{16}$th and $\frac{1}{4}$th of a measure at a time.

President.—That is one pie worth?

Mr. Rama Pillai.—Yes.

President.—If the salt is selling at 1 anna 2 pies, will he still be able to get $\frac{1}{8}$th of a measure?

Mr. Rama Pillai.—Yes, he will get it *plus* something extra.

President.—That is the custom in Tuticorin only or in other parts of Madras?

Mr. Rama Pillai.—I have toured in Tamil Districts and I know that this is the custom that is prevailing in all the Tamil Districts.

President.—What is the retail price per Madras measure?

Mr. Rama Pillai.—Here it is sold at 14 measures per rupee.

President.—Nobody buys a rupee worth of salt. How much is it per measure?

Mr. Rama Pillai.—1 anna 2 pies.

Dr. Matthai.—How much does it come to per maund?

Mr. Rama Pillai.—Rs. 1-12-0.

Dr. Matthai.—Rs. 1-12-0 is the price including the duty?

Mr. Rama Pillai.—Yes, including everything.

Dr. Matthai.—Therefore deducting the duty, the price in the bazar is 8 annas a maund?

Mr. Rama Pillai.—Yes.

Dr. Matthai.—The wholesaler's price is 3 annas 9 pies per maund.

Mr. Rama Pillai.—Yes.

Dr. Matthai.—The difference between the two, *viz.*, 4 annas 3 pies represents the retailer's margin. His expense is only transport. Would a difference of say roughly four annas in Tuticorin be considered a reasonable margin?

Mr. Rama Pillai.—If all the salt were sold by the measure then the margin of profit that the retailer would get would be 4 annas, but a good deal of the salt is sold in larger quantities than by the measure. On that his profit will be less. So, on an average taking all the sales together the retailer's profit would be about 2 annas.

President.—How does a poor man buy his requirements when he goes to the bazar? Does he ask for one anna worth of spices and get 5 different kinds of spices? Is that how he buys?

Mr. Rama Pillai.—He will ask the bazar man to give so much of each thing by weight.

President.—Have you any suggestions to make other than the ones you have mentioned in your application?

Mr. Ayyah.—So far as the question of relief to be given for the extra production of salt is concerned, we have necessarily to deal with Tuticorin excess salt. Of course there are some other factories in Arumuganeri, Tinnevelly District, which also produce about 10 lakhs in excess of the local requirements. Here in Tuticorin the excess will be about 12 to 15 lakhs, and the two together will come to about 22 to 25 (twenty-two to twenty-five) lakhs of maunds, for which a regular market is required. The salt manufacture has been reduced to a level in which very little profit is made. Each wants to push his salt at any price, and this undue competition amongst the manufacturers and consequent loss of profit takes away all the stimulus for adopting new methods of manufacture and many other improvements. Further, we are also not manufacturing to the fullest limit as I have explained a little while ago. If you want to give us relief you must recommend such measures as would give us an entry into the Calcutta market for our excess production at such rates as would be considered reasonable. I might be wrong in suggesting that the foreign manufacturers were able to undersell us by reason of salt being their bye-product. But this much is certain that we would not be able to get a foothold in the Calcutta market without the strong backing of Government. If the market is assured to us, we will of

course try and send the best salt which will equal in quality to the foreign salt. Furthermore, we beg to submit that so far as freight rates are concerned, Government must arrange with the shipping companies for equal facilities to be given to us.

Dr. Matthai.—That is practically the suggestion you have made in your representation.

Mr. Ayyah.—If it is a question of levying an import duty on foreign salt, unless the duty is sufficiently prohibitive, it may not be possible to prevent the importation of foreign salt. The question has to be considered from many points of view, but I think that this much could be done without difficulty. You could arrange to give us a market in Calcutta for about 22 to 25 lakhs of maunds of salt from Tinnevelly District, and then allow the import of other Indian salt and foreign salt for the balance of Bengal's requirements.

Dr. Matthai.—Supposing Government estimated that the Indian salt factories located throughout India could supply in a year about 60 lakhs of maunds to the Bengal market, then from the point of view of the country as a whole the most reasonable arrangements would be for Government to call for tenders from the India salt manufacturers, and the man who can offer the cheapest terms gets it.

Mr. Ayyah.—It need not call for tenders.

President.—Supposing Government were to say " we have carefully considered the question of manufacture of salt in the country. We know that the cost is so much and we are prepared to pay all Indian salt coming up to the required specification so much ". Would not that meet your requirements at Tuticorin?

Mr. Ayyah.—Yes, if Government offers a reasonable price taking into consideration everything.

President.—Government would take into account the manufacture of salt throughout India, and would fix a reasonable price *ex*-ship Calcutta and say " we are prepared to take any Indian salt at that price ". They will only purchase foreign salt to the extent to which the demand could not be supplied in India.

Mr. Ayyah.—That will meet our purpose.

President.—That is to say, Government will offer you a fair price which will be generally applicable to the Indian manufacturers of salt and not with reference to the special conditions in Tuticorin.

Mr. Ayyah.—Government will, we hope, take into consideration also the special conditions in each place. There may be some slight differences. Supposing Government takes delivery from our salt works we won't mind it at all. There are so many factors to be considered. It is in the matter of transport and freight charges that we want Government protection in the beginning.

President.—Some proposal on these lines I suppose would meet with your approval?

Mr. Ayyah.—Yes.

President.—A fair price fixed by Government with reference to conditions of salt manufacture generally in India?

Mr. Ayyah.—Yes. Then, there is no need for stacking and consequent undue competition amongst the manufacturers.

President.—That of course would be for you to decide, if you could not afford to sell at the price fixed by Government. If you had an assured market at a reasonable price, you would be able to go to the shipping company and say " we would offer you so many thousand tons in a year. Can you offer us a lower rate? ".

Mr. Ayyah.—That point we have not investigated because so far, no hopes have been held out to us. If Government really hold out hopes, we can approach the shipping companies and say " we will offer you so many thousand tons in a year ". In that case, they may come to reasonable terms. What is the use of our talking to them when they know that we are not in a

position to ship any salt for want of an assured market in Bengal. So far as Tuticorin manufacturers are concerned, we have not been sitting idle. We have tried many things. So far, the result has been that we have competed with the salt produced in other centres in the country to the detriment of both.

Dr. Matthai.—You recognise on your figures that Tuticorin salt should be given a larger measure of protection than the salt manufactured in other parts of India. That would be a somewhat unreasonable proposition to put forward. You certainly mention it in your representation, but I take it you recognise that it is rather unreasonable. A proposal on the lines discussed just now, *viz.*, a reasonable price for the Indian salt as a whole, would be a very much more reasonable thing to put forward.

Mr. Ayyah.—A reasonable price at the salt works.

President.—A reasonable price at Calcutta.

Dr. Matthai.—Which reasonable price would include the transport charges to Calcutta.

Mr. Ayyah.—We importune Government to help us in the matter of steamer freights.

Dr. Matthai.—Which practically amounts to an application for a bounty.

Mr. Ayyah.—Quite so. So far as Karachi and other places are concerned, they may have better shipping facilities between those places and Calcutta and may be able to carry their salt at lower rates. But so far as Tuticorin is concerned, we have yet to develop some sort of shipping custom. After some years of protection, Tuticorin is sure to adjust itself to the level of Karachi and other parts of India.

Dr. Matthai.—Let me put it to you this way. Supposing there was a price fixed which on enquiry was considered a reasonable price with regard to the majority of salt works in India, you would be prepared to accept that price as a reasonable price? That is a very reasonable proposition.

Mr. Ayyah.—No doubt it appears very reasonable as it is put, but unfortunately there are different centres of salt manufacture which are distantly situated from Calcutta. The distance between Calcutta and those centres, the facilities available for shipping and the rates of shipping, etc., have all to be taken into consideration. Those are big factors which will determine the price. So, I suggest that the reasonable price might be fixed *ex*-works. The differences in costs of transport and freight from the various Indian centres to Calcutta can be levelled down to one figure, if the Government wills so.

Dr. Matthai.—We cannot put a burden on the Bengal consumer for the sake of Tuticorin. We might be justified under certain conditions in putting a burden on the Bengal consumer for the sake of the Indian industry as a whole, but not for the sake of Tuticorin only. The burden on the Bengal consumer is very little and negligible. Does he not pay more than twice the price for foreign salt? Is this not a burden?

Mr. Ayyah.—We have been brought into existence by Government.

Dr. Matthai.—You had better settle that with the Madras Government.

Mr. Ayyah.—The Madras Government is part of the Government of India. It was pressed by the Government of Bengal, which is also part of the Government of India. So we expect some help in the beginning at least.

President.—Just one question about the price. We understand that 4 annas is the retailer's margin in Tuticorin. In other parts of Madras, would it be the same?

Mr. Rama Pillai.—The retailer will get almost the same profit in other places also.

President.—That is about 4 annas a maund?

Mr. Rama Pillai.—Yes.

Dr. Matthai.—That is nett?

Mr. Ayyah.—The Oriental Salt Company was working in Naupada, Karasa, Jaganaikpur and Covelong, from 1896 to 1904. It competed successfully with the foreign salt in the Bengal market. After working for about 8 years, it had to close down on account of undue competition and on account of the refusal of Government to allow them to send their salt in bond, a concession which all foreign salt enjoyed, and heavy freight to Calcutta.

President.—Does it still exist?

Mr. Ayyah.—On account of undue competition of foreign salt, it disappeared.

President.—What salt did they make?

Mr. Ayyah.—They turned out quite a good article—fine white crushed salt which was competing successfully with the Liverpool salt in the Bengal market as far north as Midnapur.

Dr. Matthai.—Is this from the Madras Administration Report?

Mr. Ayyah.—Yes, from the Madras Salt Administration Reports of 1896 to 1904 and the report of 1918-19 and from the proposals of the Board of Revenue, Madras, dated 29th September 1919 (1919) in their Reference Gt. R. No. 381 Salt to the Government of Madras.

President.—For how many years was this company working?

Mr. Ayyah.—It was working from 1896 to 1904. It was working on a large scale.

President.—That was at Naupada?

Mr. Ayyah.—Yes, at Naupada, Karasa, Jaganaikpur and Covelong. The Madras Salt Department itself testified that the company manufactured very good salt equal in quality to the foreign salt. Then, there was also the case of the Chemical Industries, Limited, Sorla. They installed a crushing plant in 1919, but closed down in 1921 or 1922, for want of an assured market in Bengal.

President.—Even with the high rates in force then?

Mr. Ayyah.—But then the freight rate was very high. The freight from here was Rs. 25 per ton.

सत्यमेव जयते

Evidence of Mr. C. H. MASTERMAN, I.C.S., Collector of Salt Revenue, Madras, recorded at Ootacamund on Friday, the 13th September, 1929.

Salt Administration.

President.—Mr. Masterman, you are the Collector of Salt for the Madras Presidency?

Mr. Masterman.—Yes.

President.—I understand for administrative purposes you are directly under the Government of India, is that right?

Mr. Masterman.—I am directly under the Central Board of Revenue.

President.—At the same time you are subject to the orders of the Local Government, are you in some matters?

Mr. Masterman.—No, not so far as Salt Administration is concerned.

President.—Are you entirely in charge of salt works or have you any other administrative work?

Mr. Masterman.—I am not under the Local Government at all.

Mr. Mathias.—Formerly the post was Commissioner of Excise and Salt.

Mr. Masterman.—Yes.

Mr. Mathias.—When was it separated?

Mr. Masterman.—It was separated in April, 1924.

President.—It came into effect from 1st April, 1924?

Mr. Masterman.—Yes.

President.—How many administrative divisions have you in salt here? Do you call them Circles?

Mr. Masterman.—We call them Circles. We have got 12 Circles.

President.—How many factories are there altogether?

Mr. Masterman.—There are about 60 or 61.

President.—About 50 I understand are excise or modified excise and the rest is Government.

Mr. Masterman.—Yes. Parts of a factory may be modified excise and parts of the same factory may be excise.

President.—How do you work that?

Mr. Masterman.—You may have one factory. Some lessees may be working under the excise system and others under the modified excise system.

Mr. Mathias.—You call a factory a group of manufacturers under Government supervision with the same stacking ground.

Mr. Masterman.—A factory is simply an administrative unit, part of which may be a monopoly factory and part of which may be modified excise.

President.—How many complete monopoly factories have you got?

Mr. Masterman.—We have only one complete monopoly factory at Ennore. Some areas of other factories are worked under the monopoly system.

President.—In Madras do you have Salt Works or merely a depôt?

Mr. Masterman.—In Madras there is only a depôt. All the salt comes in from Ennore.

President.—Where is Ennore?

Mr. Masterman.—From Madras it is 11 miles.

President.—Have you got salt works there?

Mr. Masterman.—We have got a salt factory there.

President.—And that is a monopoly factory.

Mr. Masterman.—Yes.

President.—That monopoly factory means that your contractor has to sell you everything.

Mr. Masterman.—Yes. Government let it out to licensees and we pay them a certain fixed sum for the amount of salt which they make and then Government sells it at Madras at a fixed price.

Mr. Mathias.—You pay a fixed price. Is that settled at the commencement of the year?

Mr. Masterman.—Yes, it has not been altered for several years.

Dr. Matthai.—The difference between that and modified excise is that under the modified excise, Government have simply an option.

Mr. Masterman.—Yes, under the modified excise there is a clause in the lease that Government can take over a part of the licensees' produce.

Dr. Matthai.—In return for kudivaram which is fixed on the same basis as monopoly factories.

Mr. Masterman.—Yes.

President.—But I suppose this varies from place to place.

Mr. Masterman.—Yes, kudivaram varies.

President.—Have you got to give them notice as to what your requirements are likely to be before the commencement of the season?

Mr. Masterman.—Yes. For Ennore we give them what we call "Dittam".

President.—That is modified excise. Under the excise it is the licensee who makes the sale and does what he likes with it.

Mr. Masterman.—The only difference between the modified excise and the excise is that under the excise system, Government have not got the right to purchase.

President.—Can you tell me what proportion of your salt is monopoly, how much is modified excise and how much excise?

Mr. Masterman.—Monopoly salt is very small. Last year we only had three or four lakhs of maunds.

President.—Then the bulk of it is modified excise and excise. How much is modified excise?

Mr. Masterman.—In 1928 58 lakhs of maunds was stored by modified excise licensees. With regard to *area* under excise and modified excise, it is difficult to say. Modified excise is exactly the same as excise unless in a particular place we say that we want to buy a certain amount of salt; otherwise the conditions are the same.

Dr. Matthai.—If you take the total amount of salt in stock in this Presidency during the year, what proportion of that is Government stock?

Mr. Masterman.—3 or 4 lakhs of maunds out of about 120 lakhs.

Dr. Matthai.—Is that the usual proportion?

Mr. Masterman.—No. That is a good deal less than normal, because we are gradually getting rid of the monopoly factories and this year it was not necessary to buy much salt from the modified excise licensees.

Dr. Matthai.—Why?

Mr. Masterman.—Because the price was reasonable. We only buy if there is likely to be a shortage and if they are going to raise the price.

Mr. Mathias.—You say you are going to get rid of the monopoly system. What are you going to substitute?

Mr. Masterman.—The modified excise system. There is only one big monopoly factory,—in Ennore.

Mr. Mathias.—That is to say instead of always taking precautions against the possibility of a rise in price, you wait till the possibility of a rise in price appears, and then you exercise your option.

Mr. Masterman.—Yes.

President.—It saves having big storage.

Mr. Masterman.—Yes.

President.—I want to understand what administrative changes have been made since 1924. The first thing was the separation of the salt from the excise.

Mr. Masterman.—Yes.

President.—Then as regards the general policy have any material alterations been made by the Government?

Mr. Masterman.—As regards the general policy, I think not, except to get rid of the monopoly factories.

President.—I understand that some attempt has been made to commercialise the department. Has anything been done?

Mr. Masterman.—In the way of accounts you mean?

President.—Yes.

Mr. Masterman.—Various changes to commercialise the accounts have been made.

President.—Have you got any circulars or instructions of the Central Board of Revenue on that point?

Mr. Masterman.—Yes.

Mr. Mathias.—I understand from the Audit Report that although Government has commercialised the accounts of the Northern India Salt Revenue Department, so far as Madras w - concerned, they have not been commercialised.

Mr. Masterman.—No, but they have gone some way towards it.

Mr. Mathias.—They have introduced certain changes.

Mr. Masterman.—Yes.

President.—Are there any rules applicable to all Salt Departments or are there any special rules applicable to you?

Mr. Masterman.—We are only concerned now with monopoly salt? As regards the excise salt, the licensee can sell or do anything as he likes.

President.—As regards sales, the policy of the Government is not to make a profit. That is one of the things, and secondly Government is supposed to control prices, is that right?

Mr. Masterman.—Yes.

President.—And on that point have you instructions? Where is this policy laid down? Is it in any of the enactments? What is the law applicable to you?

Mr. Masterman.—There is the Madras Salt Act.

President.—Has not that been superseded by the Government of India Act?

Mr. Masterman.—No. The Madras Salt Act as amended by later Acts remains in force.

President.—Is that in the Salt Manual?

Mr. Masterman.—Yes.

Mr. Mathias.—So far as accounts are concerned any instructions that there might be with regard to the commercialisation will be issued by the Auditor-General.

Mr. Masterman.—They come to me through the Central Board of Revenue.

Mr. Mathias.—Actually Government manufacture in Madras is something entirely different from that of the Northern India Salt Department. Consequently any system which is applicable to you will be much simpler.

Mr. Masterman.—Yes.

Mr. Mathias.—For that reason they have not thought it necessary to introduce a commercial system of accounts in Madras.

Mr. Masterman.—Quite.

President.—In dealing with Government costs, I propose to go into these to some extent. I am asking you generally what the orders are on these points.

Mr. Masterman.—Do you mean the orders as to the working out of the cost of Government salt?

President.—Yes.

Mr. Masterman.—There are certain rules for working it out.

President.—Can you let us have a copy of these rules when you go back?

Mr. Masterman.—The main rules will be found in the Salt Manual. There may have been subsequent orders from the Central Board of Revenue.

President.—There is the Government of India Salt Act. Is there a Government of India Manual?

Mr. Masterman.—I don't know. There is a separate Bombay Manual and there is the Northern India Salt Manual.

Dr. Matthai.—Does your Salt Manual contain the provisions of the India Act?

Mr. Masterman.—Yes, our Salt Manual contains all the Acts and all the notifications and the departmental rules.

President.—If you will kindly lend us a copy when you go back, we will find that rather useful.

Mr. Masterman.—Yes.

Credit system.

President.—When was this credit system introduced? Was it since the transfer of this department to the Central Board of Revenue?

Mr. Masterman.—The credit system is a very old thing. It has been going on for years and years.

President.—What I want to know about the credit system is this: the licensee deposits a certain amount of Government paper.

Mr. Masterman.—The credit man is not the licensee as a rule.

President.—We will call him the purchaser, the man who purchases your salt.

Mr. Masterman.—The credit licensee is generally something different. It is mostly banks. They deposit a certain amount and they get a credit order. That credit order they sell to the merchant.

President.—It is a sort of overdraft system. That is what it practically comes to.

Mr. Masterman.—Yes.

Mr. Mathias.—It is a method of financing the wholesale merchant.

Mr. Masterman.—Yes.

President.—The interest on this Government paper, does it go to the Government or does it go to the bank?

Mr. Masterman.—It goes to the bank.

President.—It simply means that Government gives credit for six months without interest.

Mr. Masterman.—It is simply a way of allowing him to pay the duty six months later.

President.—Under the credit system Government loses the interest.

Mr. Masterman.—Yes.

President.—It must be a substantial amount when you think of it and Government, I suppose, realises about Rs. 7 crores of duty on salt in a year.

Mr. Masterman.—It is Rs. 141 lakhs in Madras, of which the realization on account of salt sold on credit were Rs. 133 lakhs.

President.—It is a very large sum to lose.

Mr. Mathias.—What is the object of the credit system? Would there be any difficulty in introducing the cash system?

Mr. Masterman.—It is a great convenience for the merchant.

Mr. Mathias.—That I quite see. Supposing you abolish the credit system and introduce the cash system, would you have more difficulty in disposing of your stocks?

Mr. Masterman.—I think we would have.

Mr. Mathias.—You would have to sell in smaller quantities at a time.

Mr. Masterman.—Yes.

President.—It is really the banks who are making money.

Mr. Masterman.—The Government are not losing.

President.—For six months they are not paid.

Mr. Masterman.—No. They get their full duty after six months.

President.—When the salt is removed, Government is entitled to its duty.

Mr. Masterman.—Yes.

President.—It allows the purchaser to keep the money which is the equivalent of the duty for six months.

Mr. Masterman.—If you have the cash system instead of the credit system, Government will get exactly the same amount.

President.—It does seem to me that the banks are really making money out of Government funds. The bank would not give a credit order to a merchant without charging the ordinary rate of interest.

Mr. Masterman.—I don't see how Government are losing.

President.—It is losing. If you have got money which remains uninvested for six months, it is a loss, is it not? Perhaps, Government don't look at it that way. I certainly look upon it as a loss. If I don't get interest on my money for six months, it is a loss.

Costs.

President.—Administrative charges are given in Appendix I, page 37 of the Administration Report of the Salt Department for 1927-28. The total expenditure was Rs. 18·66 lakhs during that year.

Mr. Masterman.—Yes. It is less this year.

President.—Of that amount Rs. 10·50 lakhs are a sort of recurring expenditure and the remainder about Rs. 8 lakhs is what you call recoverable expenditure, is that right?

Mr. Masterman.—Yes.

President.—This recoverable expenditure is mentioned in this Appendix I under Salt purchase and freight.

Mr. Masterman.—I think so.

President.—That purchase of salt including cost of gathering spontaneous salt would be recovered from the selling price.

Mr. Masterman.—Yes.

President.—This conveyance and storage of salt, how is that recovered?

Mr. Masterman.—That is also recovered. We pay the conveyance from Ennore to Madras and that is recovered in the price of salt we sell at Madras.

President.—Then there are these buildings. You have got here Rs. 1,36,571 under buildings. How do you recover that?

Mr. Masterman.—That is not recovered at all, so far as Government works are concerned, but part of this sum includes works done for excise licensees which is recovered by cess or by lump recoveries.

President.—There is Rs. 1,69,968 under Roads. Is not that recovered?

Mr. Masterman.—Part of it is in the same way as the sum under buildings. The recoveries are shown as receipts under "Cesses" and "Miscellaneous Receipts".

President.—Petty construction and repairs—are these charges in connection with the Government works alone or are they partly in connection with the Government works and partly in connection with the licensees' works?

Mr. Masterman.—Partly licensees' works and partly Government works.

President.—What I want to know is this. This Rs. 8 lakhs and odd, you say, is recoverable and part of the recurring expenditure (Rs. 10 lakhs) is also recovered.

Mr. Masterman.—Yes.

President.—Don't you charge something for supervision?

Mr. Masterman.—The licensees hardly pay anything. They only pay the cost of supervision if it is more than 10 per cent. of the sales of a factory.

President.—Anything in excess of the 10 per cent.?

Mr. Masterman.—Yes. It has been raised lately from 5 to 10 per cent. Consequently only really very unsuccessful factories which should not be working at all are paying anything.

President.—That Rs. 10 lakhs is a permanent charge more or less?

Mr. Masterman.—Yes, it is chiefly the cost of establishment.

President.—I take it that Rs. 10 lakhs represents the cost of preventive work as well as supervision.

Mr. Masterman.—Yes.

President.—Have you got separate accounts to show how this is distributed between the two?

Mr. Masterman.—Yes, we have detailed accounts to show that.

President.—How much of that is really charged to manufacture and sale of salt rather than to preventive work?

Mr. Masterman.—Under preventive work, would you include the guarding of a factory?

President.—I would not include any expenditure incurred in the works r round about for that.

Mr. Masterman.—We have detailed accounts. Very little is spent on preventive work. Preventive work will include preventive establishment.

President.—That is a very small percentage I take it.

Mr. Masterman.—Yes.

President.—And most of this is incidental to manufacture.

Mr. Masterman.—It really is for the protection of revenue. The guarding establishment has got to see that no salt leaves the factory which has not paid the duty.

President.—It is incidental to manufacture rather than to prevention, is it not? Supposing you were a private manufacturer, if you had to keep guard over your property you would certainly consider it part of your manufacturing expenditure.

Mr. Masterman.—Except that we are not guarding the salt. We are guarding it only from the revenue point of view to see that the salt does not leave the factory without paying the duty.

President.—Ordinarily if you were a private manufacturer, all this would have to be borne by you, but now it is borne by Government.

Mr. Masterman.—If I were a private manufacturer and there was no duty I should not want that establishment at all. That establishment has nothing to do with manufacture.

President.—But the whole thing is this. It is a manufactured article, the price of which goes up by reason of the duty. You are simply looking after the article as it is priced by Government.

Mr. Masterman.—Yes.

President.—I can see no difference between that and really looking after your own manufactured article. The duty becomes part of the price, is it not?

Mr. Masterman.—Yes.

Mr. Mathias.—In Appendix H, in estimating your cost price for the year, do you include interest on expenditure on buildings, roads, and so on, that is to say, the interest on fixed capital?

Mr. Masterman.—Yes, I think so.

President.—We will put it this way that the Government share of the total cost of manufacture and marketing and looking after its revenue is about Rs. 10½ lakhs.

Mr. Masterman.—Yes.

President.—That is not recovered at all.

Mr. Masterman.—No.

President.—I want to take one typical factory and see how the Government business is done. Shall we take Madras as typical which is the largest of the factories?

Mr. Masterman.—Largest of the monopoly factories.

President.—That is more or less Government.

Mr. Masterman.—Ennore is Government.

President.—Ennore is not separately given, is it?

Mr. Masterman.—It is given under Madras Depôt on page 50 of the Administration Report of the Salt Department.

President.—Out of 21 lakhs of maunds of salt that you manufacture 1,300,000 maunds is Madras.

Mr. Masterman.—When I say Ennore, it is really a group of factories.

President.—It comes under this Madras group.

Mr. Masterman.—It comes under the Madras Depôt.

President.—You keep your accounts under these headings. Are these under the orders of the Central Board of Revenue or under your orders?

Mr. Masterman.—These are to be found in the Salt Manual. They have been going on for years. There have been certain amendments made by the Government of India and the Central Board of Revenue, for instance, pensionary charges which item is a new thing.

President.—The form I take it is more or less prescribed by the Central Board of Revenue.

Mr. Masterman.—Yes, it was prescribed long ago and it has not been altered by the Central Board of Revenue.

President.—First of all, what about the capital expenditure? Is there any separate account of the capital expenditure on these works?

Mr. Masterman.—Yes, we have this, from which interest on the capital expenditure is calculated.

President.—At what rate do you calculate the interest?

Mr. Masterman.—5½ per cent.

President.—Is that since 1924?

Mr. Masterman.—Since 1926. It used to be 5 per cent.

President.—What is this capital expenditure on chiefly?

Mr. Masterman.—In making factory buildings, bunds, platforms, etc.

President.—Have you got a separate capital account for each factory?

Mr. Masterman.—Yes. The interest on the capital expenditure is recovered from the licensees either under excise or modified excise.

President.—In this case it is charged to the costs.

Mr. Masterman.—Yes, in the Government factory.

President.—Then, what about the depreciation? I don't find any charge under depreciation.

Mr. Masterman.—No, there is no charge under depreciation.

***President.*—Why is that?**

***Mr. Masterman.*—I can't tell you.**

***President.*—Government property does not depreciate or what?**

***Mr. Masterman.*—On the question of depreciation I have just written a long report.**

Mr. Mathias.—Is it on the principle that Government is always considered its own insurance agent?

***Mr. Masterman.*—Possibly.**

***President.*—Government method of accounting is very different from the ordinary business accounting in one respect; that is that Government considers that the value of its property is equivalent to the amount of money that it has spent which is not always the case. Take the case of the railways. They think that they get a return of 5½ per cent. on the actual loans outstanding. That may not represent at all the value of the assets or the earning capacity of the assets. It is possibly the case here too. You may be charging quite an inadequate amount for interest and you are charging nothing at all for depreciation. The amount that you should charge must be based on its replacement value, both as regards interest and as regards depreciation.**

***Mr. Masterman.*—Yes.**

***President.*—Can I take it that this represents the replacement value or is it merely what you expended on your works at different times?**

***Mr. Masterman.*—What has happened is this. On the old factory capital cost we have been calculating interest at 5 per cent. for years and years. The actual amount which has been spent to replace the factory is very much less.**

President.—It is like this. If you have a pair of old boots and go on mending them you cannot add all you have spent and say that that is the value of the boots. Government does that. It spends Rs. 5,000 in one year, Rs. 2,000 in another and 3,000 after some time, it totals all that and says that that is the investment. That may not at all represent the value of the assets. Don't you think so?

***Mr. Masterman.*—Yes.**

***President.*—What I want to know is what you consider is the replacement value of your plant and equipment of this Madras group? Have you got any idea?**

***Mr. Masterman.*—I am afraid I haven't.**

***President.*—If you keep any accounts on a commercial basis the first thing you have got to do is to say " This is my investment. I have spent Rs. 5 lakhs on it and I want a return of so much. In 40 years time it will be out of date and so I want to put by so much as depreciation so that at the end of that period the property may be renewed ".**

Mr. Masterman.—The works are not complicated. It is only a question of building bunds and so on.

***President.*—Take the bunds. Some of them may be permanent, whilst others may be temporarily put up every year. In the case of a permanent bund, it is property which is liable to depreciation. In the case of a temporary bund, it is not property.**

Mr. Masterman.—No, I mean to say that the value of the capital cost of these works when they were first done differs from what it is now.

President.—In the ordinary course it ought to. If you go on patching an old pair of boots it is not the same thing as a new pair.

Mr. Masterman.—The chief thing in this is the cost of labour. There is no intrinsic value. It is simply earth.

***President.*—True, but there are these buildings. What are these buildings for? Are they godowns or what?**

Mr. Masterman.—There are hardly any buildings except the quarters for our staff which are a different thing altogether. There are no buildings except raised platforms where we store salt.

President.—Then simply I would say that it is landed property. There would be no depreciation on it in that case.

Mr. Masterman.—There is not very much depreciation. If a cyclone or anything like that destroys the bunds or platforms and these have to be replaced then we add to the capital cost.

President.—Are the bunds permanent or are they made every year?

Mr. Masterman.—They are not made every year. They are more or less permanent unless a cyclone or a storm destroys the whole thing.

President.—Are they masonry bunds?

Mr. Masterman.—No, earth bunds.

President.—When do you start working in Madras in this side? Are they working now?

Mr. Masterman.—They start about February or March and in the Northern Division they stop in July.

President.—Is any manufacture going on anywhere?

Mr. Masterman.—At Tuticorin they ought to go on till the end of September or October.

President.—Is there any Circuit House at Tuticorin?

Mr. Masterman.—We have a small bungalow there.

Mr. Mathias.—Is it subject to the North-East Monsoon?

Mr. Masterman.—Yes.

President.—In October, will they be working?

Mr. Masterman.—It depends on the monsoon.

President.—What I want to know is what sort of capital expenditure is required. Then I want to see whether sufficient allowance is made in this case for the interest on capital and depreciation.

Mr. Masterman.—Once a factory is made, there is very little to be done in the succeeding years.

President.—Have you a statement of your capital cost? If you have, it might help us.

Mr. Masterman.—We have got a statement for each factory.

President.—If you would let us have it for the Madras group it would be useful.

Mr. Masterman.—Yes.

Dr. Matthai.—How many months in a year does the Ennore factory work?

Mr. Masterman.—It works from about March and generally stops in July or August.

Dr. Matthai.—That is about six months.

Mr. Masterman.—Yes.

President.—There is another item that is not found here, that is a certain amount of Government money must remain locked up in manufacture.

Mr. Masterman.—Over and above the amount shown under the head "interest on stocks".

President.—There is no provision made for what we call the interest on working capital.

Mr. Masterman.—I can't see it would be very much.

President.—Excluding the stock it comes to about Rs. 4 lakhs. The total expenditure is Rs. 8·36 lakhs of which Rs. 3·90 lakhs is the value of stock and the rest is expenditure.

Mr. Masterman.—Yes.

President.—That must remain locked up.

Mr. Masterman.—It is from that amount that we pay the licensees as soon as salt is stored.

President.—It comes to the same thing. That further money is locked up in the salt that is bought. You carry certain stock and that is represented by Rs. 3·90 lakhs. Then you buy additional salt which must go into stock.

Mr. Masterman.—It is sold during the course of the year. We have very little surplus stock.

President.—It is true. If you are looking at it like a business concern that is an item that has to be taken into account in any commercial accounts. You have not shown that anywhere in these accounts.

Mr. Masterman.—The kudivaram is not paid all at once of course.

President.—First of all let us take what we will call works costs. That is in statement J (1). What is this "Gain by weighment" 1 (*b*)?

Mr. Masterman.—We pay the manufacturers for the amount stored. There may be some mistake at the time of storage. We store in 20 or 30 garce heaps. We pay for the amount which is supposed to be in store. If there is any small mistake in storage there may be a gain instead of loss. There is generally a loss by wastage. When we sell the salt we do it by weighment. We first of all weigh it when we store it. But supposing by some mistake in storage we store more than 20 or 30 garce, that is gain by weighment.

President.—The total wastage is 68,000 maunds. Is it actual wastage or is it merely a calculation of 5 per cent.?

Mr. Masterman.—That is actual wastage.

President.—Does it become entirely unsaleable?

Mr. Masterman.—It is the difference between the weight when we store it and the weight when we sell it.

President.—That 5 per cent. is the wastage in the course of the year?

Mr. Masterman.—Yes.

Dr. Matthai.—Is there any wastage by deterioration in quality?

Mr. Masterman.—It should not deteriorate in quality.

Dr. Matthai.—How many months at a time do you keep stocks? If you keep it for six months does it become unsaleable?

Mr. Masterman.—No. Within six months it is perfectly all right. The thing is merchants do not like last year's salt.

President.—Does it get coloured?

Mr. Masterman.—A certain amount of dust gets into it but it does not deteriorate at all.

Dr. Matthai.—I should have thought that when you store salt instead of getting dry it should get wet.

Mr. Masterman.—It must be a bit wet when you store it. But it is all covered so that it does not really absorb much moisture.

President.—What is this "Land assessment"?

Mr. Masterman.—That is credited to the provincial revenues. That is simply the assessment for land which we acquire.

President.—It is land revenue?

Mr. Masterman.—Yes.

President.—"Land and village cess" is some revenue charge?

Mr. Masterman.—Yes.

President.—"Payment to manufacturers" Rs. 1,90,000. Is that a fixed rate?

Mr. Masterman.—Yes. That is the kudivaram rate.

President.—2 annas a maund or what is it?

Mr. Masterman.—It differs at every factory. We work it by the garce. It is Rs. 17-8-0 a garce.

President.—That is the average of all the factories in this group?

Mr. Masterman.—It is the same for all the factories in the Ennore group.

President.—How many factories are there?

Mr. Masterman.—Five.

President.—Is this rate renewed periodically?

Mr. Masterman.—It is renewed periodically. Generally the way it is renewed is that the actual licensee puts in an objection and says that he wants a higher rate. We then go into the question and consider whether there is a case or not; otherwise the rate remains the same. I don't think it has been changed since I have been in charge, for the last five years. I am talking of Ennore.

Dr. Matthai.—If there is a change you fix the rate before the season begins?

Mr. Masterman.—Yes.

President.—It is almost entirely manual labour, is it?

Mr. Masterman.—Yes.

President.—Then Government practically does nothing. It simply has this contractor: it pays him so much by way of manufacture.

Mr. Masterman.—Nothing in the actual manufacture, that is in the actual scraping of salt.

President.—What Government does is, it simply has this piece of land and it says to the contractor "we will pay you 2½ annas a maund; you produce as much salt as you can and we shall take it over and sell it". That is what it amounts to.

Mr. Masterman.—Yes. We also have a contractor for transport in this case.

President.—I suppose an excise licensee does pretty much the same thing.

Mr. Masterman.—Almost exactly the same thing. He pays the kudivaram that is to the actual coolies who scrape the salt.

Dr. Matthai.—Are they a specially skilled class of people?

Mr. Masterman.—Yes, they are at Tuticorin. At Ennore the same people who do other work such as agriculture and cooly work do it. It does not require very special skill.

Dr. Matthai.—I thought the Tuticorin labourer was supposed to be a particularly skilled labour. If you wanted to extend the manufacture of salt at Tuticorin would it be difficult to get the necessary amount of additional labour for scraping?

Mr. Masterman.—It would be difficult.

Mr. Mathias.—Could the ordinary cooly be trained within a reasonable time?

Mr. Masterman.—Yes.

Mr. Mathias.—After all any big scale enterprise would take some time to establish itself: if you were to undertake the manufacture of salt on a very large scale, I suppose in the course of a year you would be able to train up the labour to do the scraping?

Mr. Masterman.—I think you could.

Mr. Mathias.—Supposing you wanted to get together an establishment of scrapers and you really got a few expert people, there would not be any particular bother about training all the people you want?

Mr. Masterman.—No.

President.—Have these people got any hereditary rights in this business?

Mr. Masterman.—Not the coolies.

President.—Supposing Government did not give work to these people, will they have any claim against Government?

Mr. Masterman.—No. But ordinarily we go on with the same people.

President.—Have the excise or modified excise licensees got any vested rights?

Mr. Masterman.—He is given a lease and we cannot cancel it unless he disobeys any of the conditions.

President.—What is the length of the license?

Mr. Masterman.—25 years, usually.

President.—That will apply to the excise licensee but does it apply to the modified excise licensees?

Mr. Masterman.—Yes, to the modified excise licensees. The excise licences are very often longer.

President.—Supposing you did not cancel the license but Government extended its own business, that is they manufacture more salt and enter into competition, will they have any claim against Government?

Mr. Masterman.—No claim at all.

President.—What I wish to know is this. This is the biggest of the Government monopoly factories: does it work to full capacity or can the Government increase its output if it chose?

Mr. Masterman.—The quantity which we could get out of the present area is limited to 15 to 20 lakhs maunds.

President.—Supposing Government wanted to extend it still more is there any room for it?

Mr. Masterman.—I should say, no.

President.—Is it not true that practically all along this part of the coast salt can be manufactured?

Mr. Masterman.—As a matter of fact all round the Ennore factories you have paddy cultivation, so that there is not much room for their expansion.

Mr. Mathias.—Supposing Government were to ask for 15 lakhs maunds, would that necessitate any extra expenditure by way of supervision?

Mr. Masterman.—I don't think it would.

Dr. Matthai.—If owing to the level of prices in a particular year being too high you wanted to increase the Government stocks, could you do that?

Mr. Masterman.—We could not get 25 lakhs out of Ennore. It is not capable of producing it. This year it produced only 4 lakhs, but the reason was a bad one.

Dr. Matthai.—I take it that the amount of dittam that you fix depends upon the level of prices.

Mr. Masterman.—It depends on the stock.

Dr. Matthai.—That again depends on the price. Supposing you thought the prices were much too high and it was necessary to increase Government stocks then you would have to increase your dittam?

Mr. Masterman.—As a matter of fact the monopoly factory at Ennore is not a monopoly factory for the purpose of controlling prices. It always has been a monopoly factory. We had this because we wanted to have reserves of Government salt.

Dr. Matthai.—What would you consider an unreasonably high price, the point at which you would consider it necessary to increase Government stocks?

Mr. Masterman.—That, of course, differs in each factory. We know the ordinary reasonable price at each factory. We know that the wholesale price of the Tuticorin factory is lower than at Ganjam.

Dr. Matthai.—What is the normal price at Tuticorin?

Mr. Masterman.—Three annas, even a little under three annas. The reasonable price of Ganjam salt is 4 annas because the cost of production is very much higher.

Mr. Mathias.—If the price ran up by an anna you could probably take a bigger dittam?

Mr. Masterman.—Yes.

President.—If you had a normal season then how much can be manufactured in this particular area? (*i.e.*, Ennore.)

Mr. Masterman.—I think the limit will be about 15 lakhs maunds.

President.—You manufactured very nearly that?

Mr. Masterman.—Yes. That was an exceptionally good year for manufacture.

President.—This labour business I don't understand. Can anybody come in and apply? Do you call for tenders? How do you select your labour for this purpose? What is the procedure?

Mr. Masterman.—Do you mean the licensees?

President.—Here in this monopoly factory you call them manufacturers.

Mr. Masterman.—The majority of them have been licensees for years and they simply continue on each year if there is any vacant ground.

President.—I am talking of Madras just now. What is the procedure? Will they go on from year to year?

Mr. Masterman.—Yes.

President.—Is there one contractor or are there a number of them?

Mr. Masterman.—There are a number of them—well over a hundred.

Quality.

President.—I notice that last year you abolished these restrictions as regards supervision in connection with the quality and so on.

Mr. Masterman.—Yes, more or less.

President.—How is that going to work if you have got 100 more or less uneducated contractors. How do you think that you can get more or less uniform quality?

Mr. Masterman.—I don't think you can. I think the quality will deteriorate.

President.—It seems to me that it must. Even if you keep a check, it will be difficult to get uniform quality.

Mr. Masterman.—There is no check at all in excise factories.

Mr. Mathias.—Would not that be satisfactory so far as the excise factory is concerned, because the licensee in an excise factory is responsible for selling the salt. If the salt deteriorates, he would not get a market for it.

Mr. Masterman.—Yes.

President.—As a matter of fact he is able to sell any stuff.

Mr. Masterman.—Yes.

Dr. Matthai.—It may be in his particular locality he is the only man who supplies and that locality has got to take it, will it come to that?

Mr. Masterman.—It comes to that very often.

President.—Does it save much Government expenditure?

Mr. Masterman.—The idea was to save a number of Sub-Inspectors.

President.—How much money does it mean?

Mr. Masterman.—Only a few thousand.

Mr. Mathias.—Less than Rs. 10,000?

Mr. Masterman.—Yes. The Sub-Inspector has still got to do storage work and he can at the same time very easily supervise manufacture. We really want the same number of Sub-Inspectors, but each Sub-Inspector has got really less work, now that Government restrictions over manufacture have been abolished.

President.—If you wish to buy salt from the modified excise licensees, it would be difficult for you to insist upon the quality.

Mr. Masterman.—Yes. The idea was that the quality would be maintained by competition. In most of the factories there is more than one licensee.

President.—As my colleague has said if a particular man sells in a particular village and if they cannot get any other salt, they have got to take it.

Mr. Masterman.—I think that is so to a certain extent. I am not in favour of doing away with the restriction.

Mr. Mathias.—If the quality deteriorates surely competition will come in. That is to say, if the quality is not good even in a village people would refuse it and would try to get salt from another village.

Mr. Masterman.—I think they would. But since this restriction has been removed the quality has deteriorated and there is more dirt in the salt.

Mr. Mathias.—Up to a certain extent the quality of the salt is likely to deteriorate, but beyond a certain limit it is very unlikely that the quality will deteriorate, because if it does, competition will come in.

Mr. Masterman.—Yes. There is another interesting point. A big licensee for instance, in Ganjam, does not like the abandonment of these restrictions, the reason being that he has not got control over his coolies. They can scrape any sort of quality. It does not matter to the coolies as they are paid by the quantity. When the salt is brought to storage the licensee finds that he cannot sell his salt.

President.—Is this salt known by a different quality in the market?

Mr. Masterman.—There are different qualities. I don't think there are any special names.

President.—The amount of dirt determines the quality.

Mr. Masterman.—There is the magnesium salt.

President.—In the market it is merely the dirt, I take it, which determines the price to the ordinary consumer.

Mr. Masterman.—There is a certain prejudice. In Coimbatore they like it black.

President.—How do you make it black?

Mr. Masterman.—By scraping it with a certain amount of earth. They make special black salt in Tuticorin for Coimbatore and the Nilgiris.

President.—You give an analysis of salt. That will have to disappear gradually.

Mr. Masterman.—This year, of course, it is very much restricted.

President.—Why not simply say so much salt and so much dirt. There is a column.

Mr. Masterman.—An excessive quantity of magnesium salts is bad from the health point of view.

President.—Is there any standard laid down as to how much magnesium salts it should contain?

Mr. Masterman.—It should not contain more than 5 per cent.

President.—That is a lot.

Mr. Masterman.—It is. It includes two magnesium salts.

Mr. Mathias.—Have you any authoritative opinion on the subject of the use of salt? On what do you base this 5 per cent.?

Mr. Masterman.—I am afraid, I can't tell you on what exactly it is based.

Mr. Mathias.—I wondered whether the Director of Public Health gave an opinion on it?

Mr. Masterman.—It has been laid down for years.

President.—Madras consumes the largest quantity of salt per head.

Mr. Masterman.—It is about 20 to 21 lbs.

President.—The average is 10 to 13 lbs. for the whole of India. The payment is made after weighment and after it is removed.

Mr. Masterman.—Payment is made as soon as it is weighed and stored. Salt is weighed twice; it is weighed when it is stored and again when it is sold.

President.—He has nothing to do when it is sold.

Mr. Masterman.—No.

President.—In Bombay I think they make a reduction for shrinkage or wastage. Do you do anything of that sort here or do you pay also on the wastage?

Mr. Masterman.—No, we don't. We pay him by the amount of salt which is weighed and stored. When it is sold it is probably a little less.

President.—In Bombay they probably sweat labour a little more than you do.

Mr. Masterman.—They don't weigh into store.

President.—They pay on 95 per cent. Have you got among these manufacturers this system that they have in Karachi that there is a sort of money-lender who comes in between?

Mr. Masterman.—Not officially recognised. I daresay he does come in.

President.—Does that exist here to any extent? Have you got chetties?

Mr. Masterman.—Not officially. I have no doubt that manufacturers themselves go to the money-lender and get their manufacturing expenses.

President.—It arises only in this way: supposing a large scale manufacture is undertaken, there will be a hue and cry from the labourers in the country that they are deprived of their living. If the money-lender comes in, their living will be very scanty. As far I can see at present on the Bombay side it does appear that labour is very much sweated and the same may be the case in Madras. It may be a good thing to get rid of the sweated labour.

Mr. Masterman.—I doubt if labour is actually sweated in Madras because they are not working in salt factories for the whole year. They are only manufacturing in Ennore for about six months.

President.—That is to say they come after the harvest.

Mr. Masterman.—They begin manufacture by March, and stop in July or August.

Dr. Matthai.—Have these manufacturers any expenses to meet?

Mr. Masterman.—Yes, they have to advance money to the coolies.

President.—Supposing manufacture in this way was stopped, I take it labour would be absorbed practically into agricultural labour.

Mr. Masterman.—I think so. As a matter of fact it is difficult to get labour at Ennore. That is why we have to pay such high Kudivaram.

President.—As. 2-6ps., how much does it represent per day for a man? About how many men would this man employ to get this output?

Mr. Masterman.—Not very long. It depends on what they are doing. If they are actually scraping the salt, they scrape only a few hours a day. Of course a certain amount of labour is required for baling the brine into the pans. Before that the crystallising pans have got to be prepared and tamped.

President.—In this case you take water direct from the sea.

Mr. Masterman.—In Ennore it all comes from the backwater.

President.—Does it come direct?

Mr. Masterman.—Brine comes from the sea through the backwaters.

President.—Where it has got to be baled?

Mr. Masterman.—It has very often to be baled from the channels to the pans and then into the crystallisers.

President.—How long does the salt take from the sea water stage until the time till it is entirely finished?

Mr. Masterman.—It is rather a difficult question. Do you mean how long does it take from the time it is let in from the channel into the condensers?

President.—Yes, until the time you take it out as crystals.

Mr. Masterman.—About three weeks.

President.—How many scrapings do you have in the season?

Mr. Masterman.—Very often 4 or 5 scrapings.

President.—Does your climate permit that?

Mr. Masterman.—Yes. It very much depends on the rainfall. If you get a very heavy shower of rain, it delays manufacture by about a month, because the beds have got to be prepared again and you have got to let in the brine again. The shower of rain may come just as salt is forming.

President.—Have you got the normal density of sea water in this place?

Mr. Masterman.—In the channel it is nothing more than 3° or 4° and in the condensers it is between 20° and 25°.

President.—There are no big rivers in the vicinity of this place which tend to reduce the density of sea water.

Mr. Masterman.—There is a river that runs into the Ennore backwater.

Dr. Matthai.—It is a very tiny thing.

Mr. Masterman.—Yes. It is not a big river that has the effect of decreasing the density in the Ennore backwater.

President.—"Payment to manufacturers"—that practically corresponds to all your manufacturing costs, and the others are incidental charges.

Mr. Masterman.—Yes.

President.—The next item is "Works for salt manufacture and storage". This interest of Rs. 13,231-11-7 is on the capital expenditure.

Mr. Masterman.—That is interest on the capital expenditure.

President.—Repairs come to Rs. 12,358-14-9. What are these repairs?

Mr. Masterman.—They are repairs to the works.

President.—That means making these temporary bunds and things like that.

Mr. Masterman.—Yes, and also the repairs in the Madras Depôt where the salt is stored and sold.

President.—Does this include Depôt buildings?

Mr. Masterman.—It includes buildings, sheds and things like that. In the Madras Depôt we store salt in sheds too.

President.—Those are included in the capital expenditure?

Mr. Masterman.—Yes, the capital expenditure incurred both at Ennore and at the Madras Depôt.

President.—"Roads and railway sidings"—that is the upkeep of the roads or is it part of the capital expenditure or what is it?

Mr. Masterman.—That is interest on the capital expenditure.

President.—You put up your own roads and railway sidings.

Mr. Masterman.—Yes.

President.—That is not very much being only Rs. 665-8-7.

Mr. Masterman.—There are hardly any roads to Ennore to keep up. We only get there by a boat along the canal.

President.—Then, this establishment charge—Rs. 28,069-10-8 represents the local establishment or does it include the establishment in the Depôt as well?

Mr. Masterman.—The establishments both in the Depôt and at Ennore.

President.—This Rs. 28,039-10-8 is not included in what you call recurring expenditure in Appendix I.

Mr. Masterman.—In what?

President.—Look at Appendix I where you give permanent and temporary establishments. Is it some allocation that you made or what?

Mr. Masterman.—It must be included in the establishment.

President.—In Chapter V it is stated that the total charges amounted to Rs. 18·66 (20·40) lakhs of which Rs. 10·50 lakhs were recurring charges for establishment, supplies, etc., and Rs. 8·16 lakhs charges for the purchase, transport and storage of salt and the recoverable charges on account of excise licensees' works. What I want to know is under what does this come?

Mr. Masterman.—This Rs. 28,039-10-8?

President.—Yes.

Mr. Masterman.—This must come under establishment in Appendix I. This is for our establishment—sub-inspectors, peons, etc.

Mr. Mathias.—Is it an allocation between manufacturing and preventive establishments? This must be manufacturing establishment.

Mr. Masterman.—It represents ⅓ of the cost of the establishment, at Ennore and Madras.

Mr. Mathias.—This represents a proportion of the establishment which is allocated against manufacture.

Mr. Masterman.—Yes.

President.—Is it the actual charge incurred or is it only some percentage?

Mr. Masterman.—One-third of the actual charge incurred at Ennore and at Madras.

President.—In the manufacture and at the depôt.

Mr. Masterman.—Yes.

Dr. Matthai.—Practically an Assistant Inspector and his staff?

Mr. Masterman.—It is more than one Assistant Inspector. There are five Assistant Inspectors.

Dr. Matthai.—Each factory has an Assistant Inspector?

Mr. Masterman.—Yes.

President.—Item No. 10 is pensionary charges. It is a very large item in the establishment charges. Is it fixed by the Central Board of Revenue?

Mr. Masterman.—It was recently fixed. I cannot remember what the percentage is.

President.—That is the Government contribution to the pension fund.

Mr. Masterman.—It is calculated on the pay of the establishment at a certain percentage.

Mr. Mathias.—A proportion of your pension would go against that.

Mr. Masterman.—I don't think so. I am not concerned with the manufacture at Ennore directly.

President.—I don't see any addition made for the higher management in this, that is to say, an amount which would correspond to the head office charges. You must have a big office.

Mr. Masterman.—I don't think that is included here.

President.—Not included anywhere?

Mr. Masterman.—Included under the Rs. 10 lakhs.

President.—I mean in the costs?

Mr. Masterman.—No. Not at all.

Mr. Mathias.—Not even a proportion of that?

Mr. Masterman.—I don't think so.

President.—In connection with the manufacturing part, what would your office do?

Mr. Masterman.—Nothing directly.

President.—Will it sell the salt?

Mr. Masterman.—My office would not sell. At the Madras Depôt we have an Inspector and an Assistant Inspector.

President.—They do the selling.

Mr. Masterman.—Yes.

President.—It is a very big business to hand over to small officials.

Mr. Masterman.—It would be impossible to do it directly.

President.—You say that an Inspector and an Assistant Inspector do it.

Mr. Masterman.—Yes, and in ordinary factories an Assistant Inspector only will do it.

President.—It runs into lakhs.

Mr. Masterman.—Oh! yes. He has got a very big responsibility. But of course there are many checks.

President.—Are they real checks or paper checks?

Mr. Masterman.—They are quite good checks.

President.—One of the biggest items is conveying and storing salt.

Mr. Masterman.—Yes.

President.—It is about a third of your total costs Rs. 1,27,300-5-5 out of Rs. 3,89,129-5-5.

Mr. Masterman.—Yes.

President.—Why are these charges so high?

Mr. Masterman.—We have to convey salt from Ennore to the Madras Depôt.

President.—Is it in the Madras city?

Mr. Masterman.—The depôt is in the Madras city. It has got to go about 18 miles by boat along the canal.

President.—And then it has to be carted.

Mr. Masterman.—No. The canal runs right into the Madras Depôt.

President.—How do you pay? Do you pay by weight or are there fixed rates?

Mr. Masterman.—We pay a contract or on the amount which he conveys.

President.—At fixed rates?

Mr. Masterman.—Yes. There are various conditions: he has to supply so many boats and that sort of thing.

President.—Storing salt means putting it into the godown or what?

Mr. Masterman.—Yes, weighing and storing it. That requires a certain amount of labour. You take it from the boat and store it into a heap which is then covered.

President.—You have already weighed it to pay these manufacturers.

Mr. Masterman.—That is when we first weigh it. It is only after weighing at the Madras Depôt they are paid.

President.—They have to take it there.

Mr. Masterman.—We have to take it to the Depôt but we pay only when we have weighed it at the Madras Depôt.

President.—Are there two sets of men? The manufacturers leave the salt at the works and you get it conveyed to the Madras Depôt and when it is weighed at the Depôt you pay the manufacturers as well as the men who have conveyed it.

Mr. Masterman.—Yes. The conveyance is done by the contractor. It has nothing to do with manufacturers. The conveyance has nothing to do with manufacture. We pay the manufacturers on the amount which we find by weighment when we store it.

President.—It does seem a very heavy expenditure.

Mr. Masterman.—It is very heavy. That is why salt is so expensive in Ennore. In an ordinary factory, it is stored where it is manufactured. Here we have to pay a large sum to convey the salt from the place where it is manufactured to the place where it is stored. That is why Ennore or Madras salt is dear. It works out at five annas.

President.—What is the idea of your having salt works in a place which is so inaccessible?

Mr. Masterman.—They have been there for years.

Mr. Mathias.—Perhaps Ennore is less inaccessible to Madras than other factories.

Mr. Masterman.—It is the nearest factory to Madras.

Mr. Mathias.—And if you were manufacturing in another place perhaps your conveyance charges would be more.

Mr. Masterman.—Personally I think they ought to have stored the salt in Ennore, years ago.

President.—Why can't it be done there?

Mr. Masterman.—It was done there at one time.

Mr. Mathias.—Even if that was done, your wholesalers would still have to convey it to Madras and they would put up the price accordingly, for Madras is your main market. So, the consumer would not gain by storing it at Ennore.

Mr. Masterman.—The merchants would probably convey it cheaper than Government can. At present we make ourselves responsible for conveying the salt.

Mr. Mathias.—Why is it so expensive to Government to convey it?

Mr. Masterman.—On the general principle Government always have to pay more.

President.—Is most of your salt consumed in Madras proper or does it go out?

Mr. Masterman.—A good deal of it goes out.

President.—In that case it might be convenient to send it direct from Ennore.

Mr. Masterman.—We cannot store it at Ennore. The difficulty is that there are no railways, whereas at the Madras Depôt the railway runs right into the Depôt.

President.—What is the nearest station to Ennore?

Mr. Masterman.—There is a small station called Minjur along the line from Madras to Calcutta. The factory is a long way off from the station and further there is a canal which has to be crossed.

President.—In Madras itself what salt is principally used, this salt or any salt coming from outside?

Mr. Masterman.—This salt.

President.—It is about 70 per cent. of the cost of labour pretty nearly-60 per cent. anyhow?

Mr. Masterman.—Yes.

President.—The cost works out at 5 annas a maund.

Mr. Masterman.—Yes.

President.—That includes practically all the charges. According to the Trading Account given in Appendix J (2) you had in stock 13, 97, 724 maunds. At what price did you value that?

Mr. Masterman.—At 5 annas I think.

President.—I want to be quite sure as to how you value your stock. That includes the stock of the previous year.

Mr. Masterman.—Yes, it includes the stock at the beginning of the year.

President.—In Sambar I think they value it on the average of the previous year. I wish to know what is your practice in valuing the stock that you carry forward?

Mr. Masterman.—We value it at what it costs us at the Depôt.

President.—If you look at your 1927-28 report you will find that the costs were 4 annas 5 pies.

Mr. Masterman.—Yes.

President.—Therefore for our purposes we must exclude the stock that you had because you were really carrying forward the profit made last year into this year's account. Do you see the point?

Mr. Masterman.—Yes.

President.—We must take your actual costs for that year and the actual price at which you sold. Those are the two figures I wish to get.

Mr. Masterman.—Yes.

President.—This may be all right from your point of view. From our point of view we want to find out what was your works cost and how much did you get. That would enable us to see whether the business was done at a profit or a loss. This form I suppose is prescribed by the Central Board of Revenue?

Mr. Masterman.—Yes.

President.—I must say that if it is prescribed by the Central Board of Revenue, then that is not the correct way of looking at it because it shows in this year's profits the profit that was made in the previous year. It is quite possible that you took the previous year's cost as regards the previous year's stock and the present year's cost as regards the present year's stock, I don't know. But I think we must exclude that. What we want to find out is, what on a particular year's manufacture and sales you get. We have got to work that out.

Mr. Masterman.—You mean what is the profit or loss on a particular year's manufacture and sale. I have those figures.

President.—We have got the actual cost As. 5-0·4 pies per maund. But that includes all the items that are mentioned. You show a gross profit of Rs. 1,14,000. That figure may be very different from the figure that we may obtain.

Mr. Masterman.—Quite so. In the next item I show what the net profit for the year was.

President.—In the gross profit you have not included the charges for land assessment, land and village cess, interest and establishment charges, have you?

Mr. Masterman.—No. Gross profit is worked out simply as the difference between the selling price and the actual cost of manufacture and conveyance to Madras.

President.—We have got your costs in the way in which you have calculated them. That works out at 5 annas. You have sold 9,77,000 maunds for Rs. 3,36,000 which is equal to 5½ annas per maund. That was the price you sold it at. That we may take as the average price, that is to say there was a profit of about 6 pies per maund.

Mr. Masterman.—Yes, on the actual sale at the depôt.

President.—Has the price been maintained in the following year?

Mr. Masterman.—The normal price is still 5½ annas.

President.—At the depôt?

Mr. Masterman.—I am afraid there is a complication about the depôt. We are giving over the depôt to the railway and removing to a new depôt they have built and so it is very important to get rid of the salt, and with the sanction of the Central Board of Revenue we have to reduce the price of certain heaps remaining on certain lands. Therefore the prices vary. Some salt has been sold at 5½ annas, and some at 4½ annas to get rid of

certain heaps of salt. That is a complication that has occurred only this year.

President.—That price of 5½ annas that you get how is it fixed by you?

Mr. Masterman.—Normally it is fixed first of all in relation to the cost of manufacturing the salt and conveying it and so on and we also look to the profit or loss which there was in the year before.

President.—What relation does it bear to what may be called the economic price, that is the price at which salt can be imported, say at Madras? Supposing you did not have this salt then the consumer would have to get it from some other place.

Mr. Masterman.—Actually in working out these figures we do not look to that relation, but the price really does not differ. If anything, it differs from between 4½ to 5 annas.

President.—Should it not bear some relation to the economic price?

Mr. Masterman.—It does, I think.

President.—That is to say it is a price at which practically your wholesale purchaser finds it convenient rather than buy elsewhere. But the whole point is he may be making a good bargain with you. How do you satisfy yourself that he is not making too good a bargain with you.

Mr. Masterman.—We can see the prices at other factories all round. He may get his salt at a price much lower than this, but the point is, though he pays more for this salt he gets greater facilities. He can take it away by rail and so on.

President.—I see that somehow Government gets a better price. That is a point I don't understand. How does it happen?

Mr. Masterman.—Monopoly salt is dearer because the cost of manufacture is dearer.

President.—But I can't understand why should a man pay you more because your costs are higher! It must be this then that at that price it is cheaper for him to buy that salt than to import it.

Mr. Masterman.—I think it is because of the convenience he gets for transport and so on.

Dr. Matthai.—In the case of some monopoly factories the salt is sold by auction?

Mr. Masterman.—The amount of monopoly salt is extraordinarily small. This year there was between 3 and 4 lakhs in the whole Presidency out of 120 lakhs.

President.—You would be buying some of this modified excise, would you not?

Mr. Masterman.—Yes. We have bought very little. Including this monopoly salt and the amount we bought last year the total stock that we had was 122 lakhs of maunds. Of this quantity just under 3½ lakhs of maunds belong to Government.

Mr. Mathias.—May we take it that in that particular year Government was satisfied that the competition between the manufacturers was sufficiently intense to secure a moderate price for salt?

Mr. Masterman.—That is so.

Dr. Matthai.—With regard to the point the President raised, that is to say whether Government was getting for its own salt a reasonable price, supposing the prices in the market were high but you were still selling at a price lower than the prevailing market price, I understand that the system in Madras is that in that case you put it up to auction and the wholesaler who bids the highest price gets the supply, and therefore from that point of view Government gets as much as it possibly can in the conditions prevailing in the market.

Mr. Masterman.—Yes. But we don't always put it up to auction.

President.—You have not had occasion to do it very often?

Mr. Masterman.—Very seldom.

President.—As regards the modified excise when you buy from them how do you fix the price?

Mr. Masterman.—That again is a fixed price which they agree to under the terms of their lease. It is fixed at a sort of market price. After all they don't differ very much. In one factory it may be 3 annas and in another 3½ annas.

Wholesale prices.

President.—Can you give me some idea of your principal customers who buy on a large scale. Is there any wholesale merchants' association?

Mr. Masterman.—I don't think there is. There are several large merchants.

President.—Can they give us the wholesale prices over a series of years?

Mr. Masterman.—I know pretty well what the wholesale prices are for each factory.

President.—That is not necessarily the wholesale price which govern the general level of prices. A man takes it from the factory, then he sells it to the wholesale dealer who in his turn goes to the retailer and there may be a very big margin between the two. I want to know how we can ascertain that.

Mr. Masterman.—We know the price which the merchant pays for his salt when he buys from the factory and we also know by enquiries at what price the salt is selling for in the bazaar.

President.—This man who buys at the works, is he the only wholesale dealer?

Mr. Masterman.—There may be other intermediaries. The difference is not very great in the price. At Tuticorin it is 3 annas a maund. There are 24 measures in a maund. That will be sold at a little over an anna a measure; that is 24 annas a maund or Rs. 1-8-0. It pays a duty of Rs. 1-4-0, so that the difference is only an anna per maund.

President.—If he does business on that margin, he is not making much money.

Mr. Masterman.—He is not making money.

President.—These figures do not suggest.

Mr. Masterman.—The wholesale price is a little less than As. 3 in Tuticorin.

President.—It is very difficult to compare prices until we know what the freight is and what the transport and other charges like marketing charges are. It does appear that in Madras itself the retail man will get about As. 12 a maund, Rs. 2 being the retail price Rs. 1-4-0 is the duty.

Mr. Masterman.—I don't think he gets as much as that.

President.—According to the figures given in Appendix F, page 25 of the Salt Administration Report for 1927-28 it is Rs. 2 a maund in Madras itself. If you take a place like Ganjam, it is about Rs. 2-8-0. In Ganjam it would be about As. 3 on an average. In Madras itself there is a difference of about As. 12. That is not very much really.

Mr. Mathias.—Are there any special reasons so far as Ganjam is concerned?

Mr. Masterman.—A very small quantity of salt left over is only sold at that price. Please see Appendix E. Ganjam used to be a monopoly factory. They had some old Government stocks which had to be sold very cheaply.

Mr. Mathias.—So that really salt sold in 1927-28 at 15 seers to a rupee was imported into Ganjam.

Mr. Masterman.—No.

Mr. Mathias.—Where was it manufactured?

Mr. Masterman.—In Ganjam. I am talking of Appendix E.

Mr. Mathias.—The local manufacturer got a higher price than As. 3. Are there many manufacturers in Ganjam?

Mr. Masterman.—Not now. There are only two or three.

President.—In 1926-27 there was abnormally high prices. In Ganjam the wholesale price was As. 7-8 and the retail price was Rs. 2-11-0.

Mr. Masterman.—Yes.

Mr. Mathias.—Even last year it was As. 3-9.

Mr. Masterman.—Yes.

Mr. Mathias.—That leaves As. 15 for the wholesaler and the retailer.

Mr. Masterman.—And also transport.

Mr. Mathias.—There is no transport.

Mr. Masterman.—Transport into interior parts of Ganjam is expensive. Not all Ganjam salt is sold in Ganjam itself.

Mr. Mathias.—15 seers is the average in the District of Ganjam.

Mr. Masterman.—Yes.

Mr. Mathias.—That would probably be the average at Head Quarters and Sub-divisional Headquarters. They probably take the price at head-quarters and sub-divisional headquarters and average them out.

Mr. Masterman.—Yes.

Mr. Mathias.—It would not be the actual price at Ganjam.

Mr. Masterman.—No.

President.—How do you collect this information about prices? As regards wholesale prices, you say he makes a declaration.

Mr. Masterman.—Yes, the license and the merchant when he purchases the salt. [See paragraph 196 (3), Salt Manual, Vol. II.]

President.—What declaration does he make?

Mr. Masterman.—He makes a declaration of the price and also the destination of the salt.

President.—He applies to the licensee and says that he wants so many maunds of salt.

Mr. Masterman.—Yes.

President.—Then he arranges the price with the licensee.

Mr. Masterman.—Yes.

President.—Do you get this price from the licensee or do you get it from the man who buys it?

Mr. Masterman.—From both.

President.—I just want to know how they collect the evidence as regards prices.

Mr. Masterman.—The retail prices are supplied by Collectors and Divisional Officers and we get various returns from the Director of Agriculture too.

President.—I want to know who is the fountain head of this information that is put in all the Government documents. Unless I was satisfied that this information is reliable I could not make much of it. I want to see how far this information that is collected by the Central Board of Revenue and the Director-General of Commercial Intelligence is to be relied on for our purposes.

Mr. Mathias.—Am I correct in thinking that the retail prices of salt are supplied by the Collector's office?

Mr. Masterman.—Yes.

Dr. Matthai.—In my part of the world it is collected by the Sub-Collector's Duffadar.

President.—I should not attach much importance to such information.

Mr. Masterman.—As Collector of Salt Revenue, I am not very much concerned.

President.—You are responsible for this document. The whole point is this: what is the good of collecting these statistics where the whole basis may be quite unreliable.

Mr. Masterman.—You can't say it is all inaccurate.

President.—We want really to find out the correct figures as far as possible.

Mr. Masterman.—These figures give you the correct prices as far as possible.

President.—When information is collected by such agents you cannot really say that it is the best kind of information. So far as you are concerned you get the information from Revenue Collectors.

Mr. Masterman.—Yes.

President.—We do not know from whom they get this information to start with, and what figures they take to arrive at the averages.

Mr. Masterman.—Whenever I go on tour, I find out the bazaar price.

President.—Nobody will give you a correct price.

Mr. Masterman.—It does not differ very much.

President.—It does not matter at what price you sell your salt. You may sell it at As. 2 a maund and still in the bazaar it may be 15 seers to the rupee. Prices become customary in matters like that.

Mr. Mathias.—Your object is really to show that there is no very great variation from year to year in the price of salt and for that purpose the figures are sufficiently reliable.

Mr. Masterman.—Yes.

Mr. Mathias.—Though they might not be sufficiently accurate for our purpose.

Mr. Masterman.—Might not.

President.—Tuticorin, I take it, has got the works and it is a town as well.

Mr. Masterman.—Yes.

President.—There the question of freight would not come in so much.

Mr. Masterman.—Tuticorin factory makes much more salt than is sold in Tuticorin town.

President.—We have to find out the difference between the price at the works and the wholesale price and the retail price. For that purpose we can only take a few typical places where the question of transport is not intricate or where you have got definite information about transport charges and so on. In a commodity like salt the reduction or the increase in the wholesale price will not necessarily be reflected in the retail price.

Mr. Masterman.—It will take some time. We pay by the weight, whereas in the bazaar it is sold by measures. Actually profit is made by making light salt. A maund of salt containing a large number of measures is therefore profitable.

Mr. Mathias.—What is the unit of salt?

Mr. Masterman.—A Madras measure.

Mr. Mathias.—What is a Madras measure?

Mr. Masterman.—It is a unit of capacity not of weight.

Mr. Mathias.—Do people buy one measure at a time?

Mr. Masterman.—No. They buy 2 or 3 pies worth. It is sold in very small quantities.

President.—As regards these other factories except the one at Callingapatam, I think that the others are very small and some of them are not working.

Mr. Masterman.—Callingapatam is no longer a monopoly factory from last year.

President.—So, that goes.

Mr. Masterman.—Yes, and Polavaram remains.

President.—Polavaram is a very small one.

Mr. Masterman.—Yes. None of the others remain.

President.—Then, you would be able to bring down your establishment, would you?

Mr. Masterman.—They remain as factories. They are converted only from monopoly into modified excise factories.

President.—The number of factories remains the same.

Mr. Masterman.—Yes.

President.—Would it be possible to reduce the number of factories and encourage large scale production?

Mr. Masterman.—You mean to concentrate manufacture?

President.—Yes. Has the Department ever considered it?

Mr. Masterman.—We have closed a certain number of factories.

President.—There are still about sixty. Sixty is quite a large number.

Mr. Masterman.—They supply the local demand.

President.—I see that you are importing some salt from Bombay.

Mr. Masterman.—Yes.

President.—Does the Government import it or who imports it?

Mr. Masterman.—It has nothing to do with us at all. I do not know what arrangements the Bombay people make. The Bombay salt goes chiefly into the West coast, the Bombay salt sources being nearer Malabar than the Madras salt sources.

President.—Your salt goes as far as Mysore, Travancore and Cochin to some extent.

Mr. Masterman.—Yes, it goes from Tuticorin in the Tinnevelly District to Travancore.

Dr. Matthai.—They used to get their salt from Bombay before.

Mr. Masterman.—Yes.

Dr. Matthai.—But of late they have been taking more from Tuticorin.

Mr. Masterman.—There is local manufacture now in Travancore. So the quantity has dropped considerably this year.

President.—As regards excise and modified excise, have you got any information as regards their costs?

Mr. Masterman.—I have got certain figures but I cannot vouch for their accuracy. I have got figures from manufacturers though they are not bound to produce them.

President.—What is the order of their costs more or less?

Mr. Masterman.—In the case of a big factory like Naupada in Ganjam Dt. it is from 2 annas 11 pies down to 2 annas 4½ pies.

President.—It all depends on how the costs are made up.

Mr. Masterman.—I don't say that they are accurate.

Mr. Mathias.—Have you got the details?

Mr. Masterman.—Yes, but the transport charges are not there.

President.—Can we have a copy of these just to see?

Mr. Masterman.—Yes.

President.—You can send it to us later on.

Mr. Masterman.—Yes, but I cannot vouch for these figures.

President.—No, naturally.

Mr. Masterman.—The cost of production given me by a big licensee (Mr. T. C. Hariram) works out to be the same as that of another licensee in Ganjam. T. C. Hariram makes out that his cost of production at Ganjam is nearly double his cost of production at Sumadi which is another factory in the Ganjam District.

Dr. Matthai.—What is the relative output of these two factories?

Mr. Masterman.—The output is much the same. The reason is that labour is so difficult in Ganjam.

President.—The cost of manufacture is not a very big item in the price of salt.

Mr. Masterman.—No.

President.—When you think of the quantity that is manufactured in the whole of India if there is a saving of one anna per maund in the case of salt it would mean a large amount.

Mr. Masterman.—Yes.

President.—1½ million tons means a saving of Rs. 40 or 50 lakhs.

Mr. Masterman.—Yes.

Dr. Matthai.—I do not know if you have any figures showing the production per acre in Tuticorin and Naupada.

Mr. Masterman.—It is more in Tuticorin.

Dr. Matthai.—Supposing we take Tuticorin where they work for 10 months in a year.

Mr. Masterman.—The average per acre is pretty nearly 2,000 maunds.

Dr. Matthai.—A year?

Mr. Masterman.—Yes. In Ganjam it is somewhere under 1,000 maunds—800 or 900 maunds per acre.

Dr. Matthai.—There they work for 6 or 7 months.

Mr. Masterman.—I don't think so. Five months is the limit.

President.—Is there any place where any other process than solar evaporation is used?

Mr. Masterman.—There is a refinery where they make refined salt.

President.—Where is that?

Mr. Masterman.—At Covelong which is about 30 miles south of Madras.

President.—That is managed by a European?

Mr. Masterman.—Not now. It was managed by Mr. Schembery but he has given it up. He has nothing to do with Government at all now.

President.—Is it good quality salt?

Mr. Masterman.—It is quite good. I have seen samples which were very good.

President.—Do they supply any local demand?

Mr. Masterman.—It is very expensive. They cannot make it cheaply. It is purely a boiling process and fuel is very expensive.

President.—Ganjam is about 300 miles from the coalfields.

Dr. Matthai.—I should say it is about 400 miles from the coalfields.

Mr. Masterman.—Ganjam is about 150 miles north of Waltair.

President.—I suppose that you have not made any special study of the process of manufacture of salt other than evaporation.

Mr. Masterman.—No.

President.—Naupada is not very far from the Chilka Lake.

Mr. Masterman.—No.

President.—There you can manufacture for about 6 months.

Mr. Masterman.—Only for 5 months and in some years in Ganjam you can make hardly anything.

President.—What about the quality of the water there as regards density?

Mr. Masterman.—In Ganjam it comes straight from the sea.

President.—It is not diluted by any river water.

Mr. Masterman.—No, not there.

President.—The point that we have to consider is this. No doubt you have read our terms of reference. The salt we have in mind is the kind of salt that is used in Bengal. Besides Karachi, Aden and the Northern India Salt Range, the other possible site might be somewhere near Ganjam provided salt could be refined at a reasonable cost.

Mr. Masterman.—You have got a very uncertain supply at Ganjam owing to the weather conditions.

President.—What is the nearest place from Calcutta where the supply is more or less dependable?

Mr. Masterman.—You have to go right down to Tuticorin. All the northern division is uncertain.

Dr. Matthai.—Do you get typhoons there?

Mr. Masterman.—Yes, all along the north coast.

President.—So that even if coal is available at a reasonable cost, you don't think that it would be possible to manufacture salt.

Mr. Masterman.—In any of the northern factories I don't think it would be possible to manufacture refined salt except at great expense.

President.—The cyclones affect the brine or affect the works?

Mr. Masterman.—They affect the works. It is not only a question of cyclones, but the season also is very short.

President.—You are talking of evaporation.

Mr. Masterman.—Yes.

President.—It would not necessarily be evaporation. They might apply other processes where if the brine was available, manufacture could go on in spite of other interruptions.

Mr. Masterman.—You can do that anywhere in the coast.

President.—The brine in the seawater is reduced very much in the monsoon.

Mr. Masterman.—Rain does not spoil the brine *in the sea.*

President.—I really do not know. We have not studied enough to be able to say whether you can at certain times dispense with evaporation. You can use evaporation if weather permits; it may be possible also to use some other process by which evaporation may not be necessary, and salt may be manufactured by means of fuel.

Mr. Masterman.—Yes, that of course can be done anywhere along the coast.

President.—That problem has not been investigated at all. So far as the process is concerned it is assumed that the only possible process is evaporation. In all these reports, in all these enquiries, in everything that has gone on so far there is no suggestion that there is any process other than solar evaporation so far as salt is concerned.

Mr. Masterman.—It must be the cheapest process.

President.—It must be the cheapest process when it is possible.

Dr. Matthai.—That is invariably the process in tropical countries?

Mr. Masterman.—Yes.

President.—But there is this thing that when you manufacture salt at certain times of the year it means carrying stocks for a much longer period and so on.

Mr. Masterman.—Yes.

President.—In that way it may not be really very much cheaper than if you were able to make use of your works all the year round. I don't express any opinion. I only say that it is a matter for investigation. But what I want to know is that so far as you know is there any deterioration of the sea brine during the monsoon in that part because I have heard it stated that it gets diluted.

Mr. Masterman.—Not in the sea itself. The process is to bring the sea water through channels into first of all condensers. The sea brine is anywhere about 3. That won't change. Then it is condensed. In the monsoon you cannot condense it there.

Mr. Mathias.—It has been stated that all round the coast of Bengal owing to the rivers flowing in, the density of the brine is very poor.

Mr. Masterman.—Do you mean the sea water itself?

Mr. Mathias.—Yes, that is why it has been considered not possible to manufacture salt by the use of fuel in Bengal itself.

Mr. Masterman.—It might affect the sea but I do not know. Of course it affects a place like the Chilka Lake which is not open sea. It may be possible that it is so at the mouth of the rivers in Bengal.

President.—It is nearly always the case where salt is made principally by evaporation, coal is not available at an economic price and obviously if evaporation is possible you make use of it as much as possible, but if it is not possible you must have other means.

Mr. Masterman.—Yes.

President.—That point so far has not been investigated in any of these reports.

Mr. Masterman.—Of course as far as Madras is concerned that alters the whole system.

President.—Is there sufficient land available in Ganjam?

Mr. Masterman.—For salt manufacture by solar evaporation?

President.—Partly by solar evaporation and partly condensation by artificial means.

Mr. Masterman.—At Ganjam itself there is a certain amount of land available I should think.

President.—We have not got enough information in our possession to be able to say if salt had to be manufactured entirely by artificial methods how much fuel would be required.

Mr. Masterman.—They only use wood fuel at Covelong which is quite a small thing.

President.—That is out of the question for any large scale production. So far as the Government of Madras are concerned have they made any investigation on that point?

Mr. Masterman.—Not that I know of.

President.—There is this thing to be considered. In the last four or five years one thing has happened, *viz.*, the price of coal has come down and the freights on coal have come down also. There is a lot of difference between the price of coal say 5 years ago and now. So far as you can tell me, there has been no recent investigation on that point.

Mr. Masterman.—Not that I know of.

President.—I see in Appendix D different prices are given, *e.g.*, 6 annas to 6 annas 11 pies, 7 annas to 7 annas 11 pies and so on. What are these variations in prices due to?

Mr. Masterman.—Prices vary at different times of the year. If it is new season's salt it may fetch a slightly higher price.

President.—I don't quite understand this. Take Pundi for instance. You have 100,800 maunds at 2 to 2 annas 11 pies: you have got another 109,332 at 4 annas to 4 annas 11 pies. Would it represent any difference in quality or is it period or what is it?

Mr. Masterman.—Probably as far as Pundi goes that was a bit old stuff which the licensees wanted to get rid of and sold at a cheaper rate.

President.—It does show that the price of salt may vary from 2 annas to about 9 annas a maund.

Mr. Masterman.—Yes, but it has very seldom been as high as 9 annas.

President.—Above 5 annas sales are not very considerable.

Mr. Masterman.—Hardly anything.

President.—You have not got any Indian States problem, have you? You have not got to pay any compensation or anything of that sort to Indian States? How did you take over their rights?

Mr. Masterman.—The Dept. pay annually a sum of Rs. 38,000 to the Pudukottah State and Rs. 3,000 to the Banganapalli State for suppressing earth salt manufacture in the States. We supply Pondicherry at a fixed rate.

Dr. Matthai.—As far as the two West Coast States are concerned, namely Travancore and Cochin, there is little production of salt there.

Mr. Masterman.—Practically none at all.

President.—Can you give me any idea as to how few factories you could do with if it came to a reorganization of the industry? Supposing Government said "we want as few factories as possible"?

Mr. Masterman.—They have been cut down tremendously. We have concentrated them as far as possible.

President.—Still you have 60 of them.

Mr. Masterman.—60 are in groups. In Tuticorin itself we have got five factories altogether.

President.—How many centres can you do with?

Mr. Masterman.—I cannot tell you offhand. It is very difficult to concentrate more than we have I think.

President.—Is there any possibility of digging wells at Ganjam and getting brine from the wells?

Mr. Masterman.—Yes. In fact they use a certain amount of pit brine.

President.—They would be more or less perennial?

Mr. Masterman.—I think so. The brine might be weaker at certain times of the year.

President.—What I am thinking of is this. Supposing there was this manufacture by artificial process, whether it might not be possible to have wells from which they could get the brine through the year.

Mr. Masterman.—Yes, that can be done. They have got wells now. At the same time if you are thinking of a different process of manufacture, we have got to start an entirely new process in Madras.

President.—There is the question of 500,000 tons to be supplied to Bengal. Either they have got to import it or they have to develop Karachi where the question of freight comes in or there is the salt range which is more than 1,000 miles from Bengal. They all use this evaporation process, but there is the question of fuel if there is to be this artificial process, and fuel is much more expensive there than in Ganjam. So if there was a locality within a reasonable distance both of the coalfields and the market, then it might be possible to develop that.

Mr. Masterman.—I think it might.

President.—All the discussion has gone on up to now on the idea that solar evaporation is the only process which is applicable.

Mr. Masterman.—That is so.

President.—If you could give us the Madras costs [App. J (1) (2) and (3)] it would be useful.

Mr. Masterman.—I shall get these for you.

President.—This factory at Ennore, is it your biggest factory?

Mr. Masterman.—It is practically the only monopoly factory.

President.—That would remain?

Mr. Masterman.—There was very little manufacture last year or this year.



Oral evidence of Mr. VASUDEVAN, Inspector of Salt, Tuticorin Circle, recorded at Tuticorin on 17th April, 1930.

President.—What is your official designation?

Mr. Vasudevan.—Inspector of Salt.

President.—How long have you been in Tuticorin?

Mr. Vasudevan.—Since January 1928.

President.—You have over two years' experience.

Mr. Vasudevan.—Yes.

Dr. Matthai.—Were you ever in Tuticorin during the war?

Mr. Vasudevan.—No.

Dr. Matthai.—This is absolutely your first experience at Tuticorin?

Mr. Vasudevan.—I was also here in 1927 for a couple of months or so.

President.—You know the system of manufacture. Would you please explain to us exactly how manufacture is conducted? First of all I understand that after the brine has been obtained either from the sea or from pits, it is run into condensing beds.

Mr. Vasudevan.—That is so in the case of the parent factory. In the extensions, it runs into reservoirs first.

President. The point is that in the extensions you start with sea water.

Mr. Vasudevan.—Yes. In the parent factory it is mostly pit brine.

President.—Then your condensers are roughly the same area as crystallising pans.

Mr. Vasudevan.—It is not the same area. The parent factory brine is very strong in pits. The area of the condenser is smaller than the crystalliser.

President.—In no case is it bigger?

Mr. Vasudevan.—Not bigger. It is generally of equal size.

President.—It remains in the condensing bed until it reaches a density of 34°B.

Mr. Vasudevan.—If it is pit brine it goes to 18°B to 22°B. If it is sea brine, when it is about 12°B it passes into the crystallising pans. At the end of the season, when the brine in the pit is very strong it does not go into the condenser from the pit it goes straight into the crystallising beds.

President.—Up to what density is it allowed to remain there?

Mr. Vasudevan.—Until the formation is complete. Sometimes in rare instances formation is complete only at 35°B. Generally formation is complete and salt is scraped at 28°B to 33°B.

President.—Do you leave it as long as that (35°)?

Mr. Vasudevan.—Yes. In some cases salt is scraped even at 35°B when no magnesium salt is visible to the naked eye.

Dr. Matthai.—Did you say that at certain times of the year the brine in the pit is very strong?

Mr. Vasudevan.—Yes, very strong.

Dr. Matthai.—What part of the year?

Mr. Vasudevan.—June, July and August.

Dr. Matthai.—That is when the winds are blowing.

Mr. Vasudevan.—Yes, when the South West winds are blowing. Then the tides do not come in very much, because the South West winds keep back high tides.

Dr. Matthai.—Normally in the pits, the density is about 10°?

Mr. Vasudevan.—At the beginning of the season it will be about 5 to 10°.

Dr. Matthai.—When the winds are blowing, it goes up to 15° to 20°.

Mr. Vasudevan.—The average will be 10 to 15°. But sometimes it goes even as high as 20°.

Dr. Matthai.—In the middle of the season the density of the brine in the pans might reach about 35°.

Mr. Vasudevan.—Yes, sometimes it reaches 35°.

Dr. Matthai.—Then, is there not a danger of the magnesium chloride depositing?

Mr. Vasudevan.—Yes, there may be a danger of that happening. In the analysis results sometimes we find magnesium chloride, and also magnesium sulphate—I mean those needle shaped crystals. Magnesium sulphate is deposited when the density of brine is allowed to go high.

Dr. Matthai.—The sulphate begins to deposit rather early.

Mr. Vasudevan.—Yes. Often after 30°B.

Dr. Matthai.—Why is it necessary to let the brine remain in the pans up to 35°? Supposing, for example, you allowed the brine to remain in the pans up to 30°, all the sodium chloride would be deposited by that time.

Mr. Vasudevan.—Not, if the initial density at which sodium chloride begins to form is high.

Dr. Matthai.—Can you explain why it is so? As I understand it, the salt begins to deposit when the brine attains a particular degree of density.

Mr. Vasudevan.—At 24 or 25°.

Dr. Matthai.—If the initial strength is higher, I don't see why the salt should not deposit at 24°.

Mr. Vasudevan.—Sometimes the salt begins to deposit only at 28° or 29°.

Dr. Matthai.—Anyway, that is your experience here.

Mr. Vasudevan.—Yes.

President.—I think that the conditions here seem to be rather different from those we have noticed elsewhere.

Mr. Vasudevan.—The mother liquor, after the salt is deposited, is thrown back into the condenser to increase the strength of the brine.

President.—We will come to that presently. You have here the single irrigation system.

Mr. Vasudevan.—Yes.

President.—The first scraping takes place after about 5 or 6 days.

Mr. Vasudevan.—At the beginning and end of the season scraping takes place 8 or 9 days after brine is let into crystallizers. In the middle of the season (June, July and August) scrapings take place after 5 or 6 days

President.—After the first scraping, you allow the mother liquor to remain on.

Mr. Vasudevan.—Yes.

President.—And you let in fresh brine.

Mr. Vasudevan.—Yes, to a depth of about 3".

President.—How many scrapings are there before the bitterns are removed entirely?

Mr. Vasudevan.—Generally four scrapings.

President.—Does not that tend to increase the deposit of magnesium salts?

Mr. Vasudevan.—When there is more mother liquor, formation takes place later.

President.—After you have done the first scraping, you leave the mother liquor which is full of magnesium salts and it goes on concentrating.

Mr. Vasudevan.—It is not full of magnesium salts. Magnesium salts form only when it is allowed to condense still more.

President.—It must be full of magnesium salts. Where do they go?

Mr. Vasudevan.—They have not been formed.

President.—We are not going into the question of formation. Magnesium salts are there in solution.

Mr. Vasudevan.—Yes.

President.—Then you leave your mother liquor while you are scraping that salt for probably a day until fresh brine is let in. During that time, magnesium salts must be depositing either separately or in the mud, that is the bottom of the pan.

Mr. Vasudevan.—They do not allow the density to rise higher for magnesium salts to deposit. When the salt is being scraped, magnesium sulphate is not beginning to deposit, and as soon as scraping is done, they let in fresh brine, so that the magnesium salts do not get a chance to deposit.

President.—You take it to 35°B.

Mr. Vasudevan.—Not usually. Generally speaking scraping is done at 32°B, when magnesium salts are not visible to the naked eye.

President.—How long do you leave your mother liquor before you let in fresh brine?

Mr. Vasudevan.—Only a few hours. When the scraping is done in the morning, in the evening fresh brine is let in. Very often as soon as scraping is over brine is let into crystallizer from condenser.

President.—After four scrapings you let out your mother liquor.

Mr. Vasudevan.—Yes.

President.—Why?

Mr. Vasudevan.—To eliminate the bitterns.

President.—Why don't you do it at an earlier stage?

Mr. Vasudevan.—In fact, it would be all right if the licensees did it more often.

President.—I am asking you, does that not tend to more magnesium salts being deposited?

Mr. Vasudevan.—In the middle of the season when the brine is very strong I think it is necessary to have this elimination done more often but the licensees don't do it. We have no effective control over that now because manufacture is in their hands. In the last three years—that is ever since we withdrew our control—the analysis shows that there is more of magnesium salts.

Dr. Matthai.—What is the percentage of magnesium chloride?

Mr. Vasudevan.—In 1927 magnesium chloride was 2·2 per cent, but in 1928 it went up to 3·3 per cent. Magnesium sulphate was 1·1 in 1927 and in 1928 it went up to 1·4 per cent.

President.—Is it on the dry basis?

Mr. Vasudevan.—I believe so.

Dr. Matthai.—We have been told generally that there is more of magnesium chloride in the Tuticorin salt. What is your explanation for the presence of so much of magnesium chloride?

Mr. Vasudevan.—It is due to not attending to the elimination of bitterns. Mother liquor is not being drained. Strictly speaking it ought to be drained into the bittern channel.

Dr. Matthai.—There is no suggestion that your brine contains more magnesium chloride?

Mr. Vasudevan.—Certainly not.

Dr. Matthai.—It has the same kind of composition.

Mr. Vasudevan.—Yes.

Dr. Matthai.—So there must be something wrong in the process of manufacture.

Mr. Vasudevan.—I think so, but this can be eliminated. The percentage of magnesium salts could be reduced if they eliminated bitterns more often.

Dr. Matthai.—From the way in which you have described the process, it seems that when you allow it to remain up to a density of 35°, you are running some risk of magnesium chloride being deposited.

Mr. Vasudevan.—Certainly.

Dr. Matthai.—Then, you have four scrapings before the bitterns are drained out of the pans. There also you run the risk of magnesium chloride being deposited.

Mr. Vasudevan.—Not at the beginning of the season. Until about the end of May when the South West winds make the brine very dense, there is very little danger of the needle shaped crystals being formed. If there is more of magnesium salts, we can see with the naked eye. Up to June, very seldom if ever, magnesium salts (needle shaped crystals) have formed.

Dr. Matthai.—Do you think that the soil here is somewhat more porous than the soils in other parts of India?

Mr. Vasudevan.—I have no idea of the other parts of India.

Dr. Matthai.—Your soil is not impervious.

Mr. Vasudevan.—The soil here is not considered porous. They bring special clay and prepare the beds.

President.—Where do they bring the clay from?

Mr. Vasudevan.—From the river bed.

President.—How far away is that from the pans?

Mr. Vasudevan.—It is very near.

President.—You say that it is non-porous. But it is very soft, is it not?

Mr. Vasudevan.—They make it soft in order to get light salt. If the bed is prepared hard, then the salt becomes heavy.

President.—Some of the brine must be absorbed, is not that a fact?

Mr. Vasudevan.—It is a special clay which is not porous.

Dr. Matthai.—What other parts of the presidency have you experience of?

Mr. Vasudevan.—I had been at Cuddalore.

Dr. Matthai.—How does the Tuticorin salt compare with the Cuddalore salt?

Mr. Vasudevan.—This is the best I have seen.

Dr. Matthai.—You have never been at Naupada.

Mr. Vasudevan.—No.

President.—We have been told by Mr. Strathie that the higher percentage of magnesium salts in the Tuticorin salt is due in part to the fact that the beds of the pans are not completely impervious to brine and that in consequence after the salt has been absorbed a certain amount of the bitterns is left behind mixed with the soft bed of the pans. The bitterns cannot be entirely removed and as they are evaporated magnesium salts are deposited in the bed of the pans.

Mr. Vasudevan.—It may be so. When they prepare the beds they sometimes use the earth from the bittern pit which will surely contain bitterns.

President.—The softness of the beds of your pans may account to some extent for the presence of magnesium chloride in your salt.

Mr. Vasudevan.—That may be so.

President.—Later on when the next irrigation takes place the salt is formed in the pans and in scraping it you must bring out with the salt a certain amount of magnesium salts too.

Mr. Vasudevan.—That may be so.

President.—Do you think that there is anything in that explanation?

Mr. Vasudevan.—It is true that licensees use the earth from the bittern pits to prepare the beds.

President.—What is a bittern pit?

Mr. Vasudevan.—That is the pit in which mother liquor is discharged.

President.—Do they use the earth from that?

Mr. Vasudevan.—Yes.

President.—I thought you said that they imported some special clay.

Mr. Vasudevan.—At the time of preparing the beds, they mix it and tamp it. They want a saline flooring for it and for that they use the earth from the bittern pit.

Dr. Matthai.—There are special pits for the reception of bitterns, which are drained off into bittern channels and these channels discharge into pits.

Mr. Vasudevan.—Yes.

Dr. Matthai.—And you take the earth from that pit in order to prepare the pans.

Mr. Vasudevan.—I am not certain, but in some cases they do so.

Dr. Matthai.—Is that a fairly general practice?

Mr. Vasudevan.—I have heard that that is done. I could find that out for you.*

Dr. Matthai.—The bitterns are not drained off into the sea.

Mr. Vasudevan.—No. They are drained off into pits.

Dr. Matthai.—Even in the extensions?

Mr. Vasudevan.—Yes. Very often after the salt is scraped, the mother liquor is left behind. Instead of draining the mother liquor into bittern pits, they drain it into condensers. That happens only in the early part of the year when the initial strength of the brine is not much.

President.—They are passed back into condensers you mean?

Mr. Vasudevan.—Yes. The whole of it is passed back into condensers in order to give extra strength to the brine in the condensers.

Dr. Matthai.—Supposing the brine at the condenser is 15° and the bitterns are passed back into condensers, by how much is the strength likely to be increased?

Mr. Vasudevan.—It will be raised to 18 or 20°. It all depends on the quantity of the brine.

President.—As regards the soil which forms the bed of the pan you were telling us this morning that the hardness or the imperviousness varies according to the times of the year.

Mr. Vasudevan.—Yes.

President.—Sometimes it is soft when the brine leaks through.

Mr. Vasudevan.—I cannot say that it leaks through. Our experience of the bed shows that the bed gets harder and harder in the year.

President.—In what month is it hardest?

Mr. Vasudevan.—July and August.

President.—In July and August does the salt which you obtain contain more magnesium chloride?

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* I am sorry my memory played me false when I stated that clay from bittern pits is used for preparing beds and have to say now that this statement is wrong so far as Tuticorin circle factories are concerned. On inquiry I understood that clay for preparing beds in Tuticorin factories is got from Upperodai river bed, supply channels and condensers and not from bittern pits. I would therefore request that my replies in which reference is made to use of clay from bittern pits for preparing beds may kindly be deleted.—A. K. V., dated the 20th May 1930.

Mr. Vasudevan.—Much more magnesium salts. That is the time when the South West winds are blowing when the strength of the brine is higher.

President.—I don't understand why your salt should contain more magnesium chloride.

Mr. Vasudevan.—Because salt forms at greater strength. I am talking of the pit brine.

President.—I am talking of the pit brine. In your crystalling beds, in July and August after you have scraped your salt, is the salt pure or less pure?

Mr. Vasudevan.—Less pure.

Dr. Matthai.—It happens like this. Generally you allow the brine to remain in the pans say for four days.

Mr. Vasudevan.—Yes.

Dr. Matthai.—If during the windy season you allow it to remain for four days, during those days, on account of these winds there is more evaporation.

Mr. Vasudevan.—Yes.

Dr. Matthai.—The brine reaches 29 or 30° sooner.

Mr. Vasudevan.—Yes.

Dr. Matthai.—Therefore magnesium salts are deposited.

Mr. Vasudevan.—Normally at the beginning of the season the brine remains in the crystalliser for 8 to 9 days. When the wind is very high in July and August in 5 or 6 days the evaporation is complete and the salt is deposited. The reason is that the brine let into the crystalliser is stronger then than at the beginning of the season and the evaporation is also fast.

Dr. Matthai.—Therefore there is greater danger of the magnesium chloride being deposited.

Mr. Vasudevan.—Yes.

President.—When do you get your purest salt?

Mr. Vasudevan.—In the beginning of the season.

President.—When?

Mr. Vasudevan.—Just now.

President.—You get less magnesium salts.

Mr. Vasudevan.—Till about June we are ordinarily free from magnesium salts.

President.—This deposit of magnesium salts is largely due to the neglect of the density at which salt is scraped.

Mr. Vasudevan.—Yes, and to the neglect of the elimination of bitterns. The brine gets stronger on account of the neglect on the part of manufacturers to eliminate the bitterns.

President.—What about the colour? Is that affected by the soil which constitutes the beds?

Mr. Vasudevan.—Yes. If the bed is prepared hard, then the salt is white but heavy and will measure less.

President.—Why does it measure less?

Mr. Vasudevan.—Because it is heavy, they don't get a large number of measures.

President.—The whiter the salt the heavier it is.

Mr. Vasudevan.—In soft beds you can also scrape white salt. The white salt is scraped from the top layer. But in hard beds the whole thing is white but it won't be light.

President.—Why won't it be light?

Mr. Vasudevan.—It would not be light because they are solid crystals.

President.—It would not be light and therefore it does not pay them to obtain white salt on hard beds.

Mr. Vasudevan.—That is right.

President.—So far as manufacturers here are concerned, it is not to their interest to produce fine white salt.

Mr. Vasudevan.—Yes, fine white salt in hard beds does not pay.

President.—Unless you prepare it in hard beds, the salt is not white.

Mr. Vasudevan.—No.

President.—In soft beds only the top layer is scraped.

Mr. Vasudevan.—Yes. Top layer only is scraped for white salt.

President.—Then you get less salt.

Mr. Vasudevan.—Afterwards they scrape the bottom layer also. They first scrape the top layer and then the bottom layer.

President.—That is small salt.

Mr. Vasudevan.—Yes.

President.—That small salt will fetch less price.

Mr. Vasudevan.—Yes.

President.—Therefore it won't pay.

Mr. Vasudevan.—On the whole it will pay.

President.—It seems that there are two ways of preparing the white salt. One is on a hard bed in which you scrape off all the salt and another is on a soft bed in which case you scrape off the top salt. When you scrape off the top salt on a soft bed, it is very small salt. Therefore it fetches less price because it weighs heavier.

Mr. Vasudevan.—It does not follow. The top layer may be light. It is generally large grained.

Dr. Matthai.—What you call light salt is the salt which contains large crystals.

Mr. Vasudevan.—Large or small crystals.

Dr. Matthai.—When a measure of salt contains less weight you call it lighter salt.

Mr. Vasudevan.—Yes.

Dr. Matthai.—As a rule, the bigger your crystals the lighter your salt.

Mr. Vasudevan.—It does not always follow.

President.—Anyhow that is accepted by the trade. That is why the trade first attempts to have big crystals because they take up more room and so they are lighter.

Mr. Vasudevan.—There are big crystals which do not measure much.

President.—I don't understand.

Mr. Vasudevan.—It does not always follow that big crystals measure much.

Dr. Matthai.—If the crystals are of a particular size, they must measure a particular size. Supposing your salt is absolutely powdery and you measure?

Mr. Vasudevan.—It will measure less generally but sometimes when it is of light quality it measures more. For instance in Arumuganeri factory powdery salt measures even 55 Madras measures per 2 maunds.

Dr. Matthai.—The smaller the grain, the heavier the salt. Conversely the larger the grain, the lighter the salt.

Mr. Vasudevan.—That depends upon the quality.

Dr. Matthai.—You think it might vary.

Mr. Vasudevan.—It varies according to the quality.

Dr. Matthai.—It has been accepted by the trade that the smaller grained salt is heavier and bigger grained salt lighter and therefore it is profitable to sell by weight. We have been told so by all the big dealers in India.

Mr. Vasudevan.—I shall make myself certain about it and let you know later. In smaller grained salt as well as bigger grained salt, hard crystals measure much less than hollow crystals of the same size.

President.—If you are merely stating it as your own opinion, please say so.

Mr. Vasudevan.—This is only my opinion. I have since ascertained that my opinion is quite correct.

President.—The total area under cultivation is about 1,200 acres.

Mr. Vasudevan.—Yes.

President.—Is there any possibility of extension?

Mr. Vasudevan.—Here?

President.—Yes. Mr. Masterman showed us this morning an area of about 70 acres which may be utilised for salt manufacture.

Mr. Vasudevan.—I do not know whether there is any further prospect beyond that.

President.—You think that there is no possibility.

Mr. Vasudevan.—No. Near the Tuticorin factory there is no possibility of much extension.

President.—Only about 70 acres?

Mr. Vasudevan.—Yes.

Dr. Matthai.—That is for the whole of Tuticorin.

Mr. Vasudevan.—Yes.

President.—At present is there more salt produced than sold or is all the salt produced sold?

Mr. Vasudevan.—Sales and manufacture almost coincide.

President.—So that there is a local market for all the salt that is manufactured.

Mr. Vasudevan.—So far as my figures go, they correspond.

Dr. Matthai.—Roughly what is the production at Tuticorin? Is it about 20 lakhs of maunds?

Mr. Vasudevan.—About 23 lakhs.

Dr. Matthai.—That is the average per year.

Mr. Vasudevan.—Yes.

Dr. Matthai.—To what extent do you think it is possible to increase the output?

Mr. Vasudevan.—I don't think that there is much scope to increase the output.

Dr. Matthai.—Supposing you bring in the extra 70 acres under cultivation?

Mr. Vasudevan.—It would not help very much.

Dr. Matthai.—By how much would it help to increase the output?

Mr. Vasudevan.—The total area at present under cultivation is 1,034 acres.

Dr. Matthai.—What is the present production per acre?

Mr. Vasudevan.—The average is 2,936 maunds per acre per year.

Dr. Matthai.—Practically we may take it at 3,000 maunds per acre roughly.

Mr. Vasudevan.—Yes. If you multiply that by 70 it would be roughly 2 lakhs of maunds.

Dr. Matthai.—So that in your opinion there is really no possibility of Tuticorin being in a position to supply the Bengal market.

Mr. Vasudevan.—It has been extended almost to the fullest extent.

President.—I think that you would go further and say that it is hardly advantageous to the local manufacturer to attempt to supply the Bengal market.

Mr. Vasudevan.—There is nothing more to be gained.

President.—On the other hand if the manufacturer wishes to sell in the Bengal market, he will have to change his method of manufacture.

Mr. Vasudevan.—I think so.

President.—At present, the Tuticorin salt, although some of it is white, is not suitable for crushing. Is that correct?

Mr. Vasudevan.—Yes.

President.—Has any experiment been made to crush it?

Mr. Vasudevan.—Messrs. Chari and Company imported machinery for crushing.

President.—Did they ever crush it?

Mr. Vasudevan.—They never put up the machinery and attempted to crush it.

President.—In the hot months in July and August the salt suffers from the dust storm.

Mr. Vasudevan.—At that time white salt is impossible. They are the best months of the year.

President.—Those are the two months in which production is at the best.

Mr. Vasudevan.—Yes.

President.—Probably more than a quarter of the whole production would be produced in those months.

Mr. Vasudevan.—Production will be at its maximum then.

President.—All that salt owing to the dust storm becomes brown.

Mr. Vasudevan.—Yes. It cannot altogether escape the damage by the dust storm while it is in the pans.

President.—Am I correct in thinking that at Tuticorin although at certain times of the year fine white salt can be produced it would be impossible to secure any uniform quality throughout the year because in the first place as regards colour it is damaged by the dust storms for three months in a year and secondly as regards impurities, (*e.g.*, magnesium salts and so on) the amount varies considerably according to the different times of the year.

Mr. Vasudevan.—Yes.

President.—So that the quality is a varying quality.

Mr. Vasudevan.—Yes.

Dr. Matthai.—It varies not merely in respect of quality but also in respect of appearance.

Mr. Vasudevan.—Yes. When the South West winds blow, a lot of dust is deposited on the salt.

Dr. Matthai.—Are you exporting any kurkutch to Calcutta?

Mr. Vasudevan.—Last year they sent about 80,000 maunds, but I understand that it was not a genuine merchant who took it. The salt is now lying in the gholas at Calcutta and is being sold at a loss.

Dr. Matthai.—This year, has there been any export of kurkutch?

Mr. Vasudevan.—Nothing this year, nor the year before last.

Dr. Matthai.—All the salt was exported from Chari's works.

Mr. Vasudevan.—Yes.

President.—There was difficulty in getting rid of it.

Mr. Vasudevan.—Yes.

Dr. Matthai.—Chari, I understand, is bound under contract not to sell the salt in the Madras Presidency and he has to sell outside.

Mr. Vasudevan.—That is the condition of the licence.

Dr. Matthai.—If he is to sell it, he has to sell it in Calcutta.

Mr. Vasudevan.—He used to sell it in Ceylon. Just now he is trying to sell it in Mysore.

Dr. Matthai.—To what parts of Madras does the Tuticorin salt go?

Mr. Vasudevan.—To all the Tamil districts.

Dr. Matthai.—Part of it goes to the West coast, does it not?

Mr. Vasudevan.—Recently we have been sending some to the West coast. Most of the salt consumed there is Bombay salt. Formerly a large quantity was sent to Ceylon until the import duty was levied. Now no salt is sent to Ceylon.

Dr. Matthai.—Do you export any salt to the Straits?

Mr. Vasudevan.—Nothing.

Dr. Matthai.—You have never exported.

Mr. Vasudevan.—Not recently. More than 18 years salt had been exported to the Straits from Tuticorin.

President.—How many wet months do you have in a year?

Mr. Vasudevan.—Three months—October, November and December.

President.—Do you have any rain at other times?

Mr. Vasudevan.—We have seasonal showers.

President.—That is normal.

Mr. Vasudevan.—Yes. If the showers are too frequent, manufacture suffers.

President.—But it is normal for seasonal showers to occur.

Mr. Vasudevan.—Yes.

President.—In October, November and December, manufacture is stopped.

Mr. Vasudevan.—Generally in the middle of October, manufacture is stopped and is commenced again in January and scraping takes place in Feburary.

President.—The whole of the salt manufacture is closed down for 2½ to 3 months in a year.

Mr. Vasudevan.—Yes.

President.—In addition to that, salt is liable to damage by occasional showers during the rest of the year.

Mr. Vasudevan.—Yes.

President.—Even recently I understand you had rain which damaged the pans to some extent.

Mr. Vasudevan.—It damaged the pans very badly.

President.—How long ago was that?

Mr. Vasudevan.—Last month.

Dr. Matthai.—What is the average amount of rainfall?

Mr. Vasudevan.—I do not know.

Dr. Matthai.—Would it be 25"?

Mr. Vasudevan.—I shall send you the information later.

Dr. Matthai.—Are all the factories here either excise factories or modified excise factories?

Mr. Vasudevan.—Yes.

Dr. Matthai.—There are no monopoly factories.

Mr. Vasudevan.—No.

Dr. Matthai.—The bulk of it is produced where?

Mr. Vasudevan.—In the excise factories.

Dr. Matthai.—In the excise factories are the leases held by the original lease-holders?

Mr. Vasudevan.—They have been sublet.

Dr Matthai.—The present lease-holders are merely investors.

Mr. Vasudevan.—Yes.

Dr. Matthai.—Leases might be held by professional classes—lawyers and people of that kind.

Mr. Vasudevan.—The leases are not held by people who work but by merchants and other private persons.

Dr. Matthai.—The salt merchants are sub-lessees.

Mr. Vasudevan.—Yes. The merchants are also licensees sometimes.

Dr. Matthai.—If you take the costs of an excise factory and compare them with those of a modified excise factory, is there any difference? Has the modified excise licensee got to bear any more expense than the excise licensee?

Mr. Vasudevan.—No.

President.—You have just told us that all the factories here are excise factories, but in the costs given of the headquarter-factories in Tuticorin we find that six of them are modified excise factories.

Mr. Vasudevan.—They are all extensions.

Dr. Matthai.—You told us that the average production was about 23 lakhs of maunds in the last six or seven years. Can you tell us what proportion was made in the modified excise factories?

Mr. Vasudevan.—You mean taking the whole lot?

Dr. Matthai.—Take both the parent factories and the extensions. Taking the whole lot, do you think that the excise factories cover the bulk of your production?

Mr. Vasudevan.—It will be roughly half and half.

Dr. Matthai.—You have not seen the costs sent to us by the Salt Department of Madras.

Mr. Vasudevan.—No.

Dr. Matthai.—If you look at page 251 of the preliminary volume you will find that there is an item called modified excise recoveries. The Collector of Salt Revenue explains it as recoveries made by Government from those modified excise licensees to cover land assessment and cess, repairs works done by Government on behalf of the licensees and in a few cases 5 per cent. interest on the capital cost of works done by Government in the factories. Is there a similar item in the costs of excise factories?

Mr. Vasudevan.—Yes.

Dr. Matthai.—It is recovered from the sub-lessee. Sometimes sub-lessee pays it in the name of the lessee. Otherwise the lessee himself pays it.

Mr. Vasudevan.—Yes. In the case of modified excise factories it is recovered in lump whereas in the case of excise licensees it is recovered in the shape of a cess per maund which is fixed every year by the Collector.

Dr. Matthai.—In addition to the duty there is a cess.

Mr. Vasudevan.—Yes.

Dr. Matthai.—Which practically corresponds to the modified excise recoveries.

Mr. Vasudevan.—Yes.

President.—Have you any experience of salt prices?

Mr. Vasudevan.—You mean wholesale?

President.—Wholesale or retail? If you have any experience of wholesale prices, say you have experience of wholesale prices.

Mr. Vasudevan.—I know the local prices—that is all.

President.—You mean local prices wholesale?

Mr. Vasudevan.—Yes.

President.—Local prices retail?

Mr. Vasudevan.—Yes, I know.

President.—The wholesale price is the price per maund.

Mr. Vasudevan.—Yes.

President.—What is the price at present?

Mr. Vasudevan.—Re. 0-3-6 a maund (average).

Dr. Matthai.—Excluding the duty?

Mr. Vasudevan.—Yes.

Dr. Matthai.—That is to say Rs. 1-7-6 including the duty, so that the actual price in the bazar is Rs. 1-7-6.

Mr. Vasudevan.—Yes. Excluding bagging and conveyance charges.

President.—Are you responsible for collecting prices and reporting to Government?

Mr. Vasudevan.—When people buy the salt, they have to make a declaration.

President.—That is the wholesale price.

Mr. Vasudevan.—Yes.

President.—That is the price at which the manufacturer sells to the wholesale merchant.

Mr. Vasudevan.—Yes.

President.—Does the wholesale merchant sell again to another wholesale merchant?

Mr. Vasudevan.—It is the licensee who sells to the merchant who in his turn sells to the retail merchant.

President.—Direct to the retail merchant?

Mr. Vasudevan.—Yes.

President.—Is the salt sold per *paili* here?

Mr. Vasudevan.—No. It is sold according to the Madras measure.

President.—What is it called?

Mr. Vasudevan.—*Padi.*

President.—48 measures go to make a bag.

Mr. Vasudevan.—Yes, that is the average.

President.—How much is there in a bag?

Mr. Vasudevan.—2 maunds.

President.—Then, 24 measures go to make a maund.

Mr. Vasudevan.—Yes.

President.—When a purchaser goes to the bazar, does he buy by the measure, quarter or one-eighth of a measure or does he buy a rupee worth? First of all, are you responsible for reporting retail prices?

Mr. Vasudevan.—We report prices.

President.—Do you report retail prices?

Mr. Vasudevan.—Yes, only per Madras measure.

President.—How do you go about it? How do you make enquiries? Do you send down your servant to the bazar?

Mr. Vasudevan.—We know it. We buy salt at our own place.

President.—Supposing you don't happen to have bought the salt in the morning? How often do you report the retail prices?

Mr. Vasudevan.—The retail price is mentioned in the diary.

President.—How often is the diary written?

Mr. Vasudevan.—It is not compulsory to report retail price in the diary which is weekly.

President.—The compilation of prices done by the Salt Department, is that based on your report?

Mr. Vasudevan.—It is not based on diaries. We don't have to report retail and wholesale prices.

President.—How often is your diary sent?

Mr. Vasudevan.—Every week.

President.—When you send your diary, you take the report from whom?

Mr. Vasudevan.—Personally I make an enquiry.

President.—Naturally you report what you happen to know—that is the actual price that you pay?

Mr. Vasudevan.—Yes.

President.—That is per Madras measure.

Mr. Vasudevan.—Yes. We don't look into anything less than that.

President.—What is that at present?

Mr. Vasudevan.—1 anna 3 pies.

President.—That is Rs. 2 per maund.

Mr. Vasudevan.—Rs. 1-14-0 a maund or Rs. 3-12-0 a bag on the average.

Dr. Matthai.—That is the retail price.

Mr. Vasudevan.—Yes.

Dr. Matthai.—The price at which the licensee sells to the wholesale merchant is Rs. 1-7-6.

Mr. Vasudevan.—Yes or Rs. 1-8-0. Two annas extra expense will be necessary for transport, weighing, bagging, etc., charges for the merchant who takes the salt to Tuticorin market.

President.—In your experience, how far is the retail price altered in the last four years?

Mr. Vasudevan.—It has gone even to 1 anna 4 pies. But it ranges from 1 anna 2 pies to 1 anna 4 pies.

President.—When your servant goes to the bazar, does he really pay that?

Mr. Vasudevan.—Yes.

President.—In your accounts you will be charged 1 anna 2 pies.

Mr. Vasudevan.—Sometimes more too.

President.—Before that, what was the price? If you don't remember, please say so.

Mr. Vasudevan.—Merely on my own enquiry I used to show in the diary as 1 anna 2 pies to 1 anna 4 pies. The Factory Officers' diaries come to me.

President.—They also base their reports in much the same way.

Mr. Vasudevan.—It won't go very wrong.

Dr. Matthai.—When a factory officer reports to you that the price is 1 anna 2 pies, is it likely you think that he is quoting that price not because he has heard it quoted in the bazar but he hears that the price per maund is so much and he divides it by 24 and gives you the result?

Mr. Vasudevan.—He does not do that. He may ask his peon. One thing is certain that he will at least ask his peon. More or less he gets correct information.

President.—I was told this morning that the pie piece is current. It cannot be current to any great extent. If I go to the bazar and ask the price, will the shopkeeper charge me to the nearest pie?

Mr. Vasudevan.—Yes, because the pie piece is current in this part of the country.

President.—It is not current to a very great extent.

Mr. Vasudevan.—Here they don't overlook the pie.

President.—If I go and offer an ordinary shopkeeper 1 anna 3 pies for a measure of salt, will he give me a pie back?

Mr. Vasudevan.—Yes.

President.—Have you ever got a pie in change?

Mr. Vasudevan.—Yes.

President.—My point is that when a man is selling 400 measures a day, if he is going to sell at 1 anna 2 pies, he must keep an enormous amount of pies. Have you ever bought salt personally.

Mr. Vasudevan.—No, but I have enquired of the price recently though I have not bought it myself.

President.—Can you say for certain what the present price of salt is?

Mr. Vasudevan.—1 anna 3 pies per measure.

Dr. Matthai.—The retail prices that you have given are the retail prices in Tuticorin.

Mr. Vasudevan.—Yes.

Dr. Matthai.—So that it does not cover freight.

Mr. Vasudevan.—No. It covers only the transport charges from the works to the Bazar.

President.—What does that amount to?

Mr. Vasudevan.—It may be half an anna to one anna a bag.

Dr. Matthai.—Suppose you were told that the margin that the retailer made over the wholesale price was 6 annas a maund, would you consider it excessive?

Mr. Vasudevan.—Yes.

President.—Still that is the fact. From your figures we can only deduce that the retailer is taking 6 annas a maund.

Mr. Vasudevan.—Sometimes in a bag there are 52 *padis*.

President.—Then, he will surely make more.

Mr. Vasudevan.—Sometimes it may be 46 measures.

Dr. Matthai.—What is the difference between the wholesale price and the retail price from your experience of the bazar here?

Mr. Vasudevan.—Two or three annas per bag or even 1½ annas.

President.—They never take as little as that.

Mr. Vasudevan.—Sometimes the salt is heavy and sometimes the salt is light. I understand that the retail dealer has to lose 2½ annas on every gunny on account of deterioration as he has to pay 5 annas per gunny when he buys it for taking salt from the factory and will get only 2½ annas when he sells the gunny after disposing of salt.

Dr. Matthai.—Do you have records of the wholesale and retail prices in Tuticorin?

Mr. Vasudevan.—I have records to show the wholesale prices but not the retail prices.

President.—The wholesaler takes a reasonable profit.

Mr. Vasudevan.—Yes, because there is a good deal of competition amongst merchants.

President.—The licensee sells to the merchant at Rs. 1-7-6.

Mr. Vasudevan.—Yes.

President.—What is the price at which the wholesaler sells to the retailer?

Mr. Vasudevan.—I could not tell you. 3 annas 6 pies is the price which the licensee charges the wholesaler.

President.—There is no record in the Salt Department from which you can tell.

Mr. Vasudevan.—No.

President.—All that you can tell is that the retail price is 1 anna 3 pies per measure.

Mr. Vasudevan.—Yes.

Dr. Matthai.—They are given in fortnightly reports.

Mr. Vasudevan.—They are based on revenue officers' reports.

President.—Do you know how they collect prices?

Mr. Vasudevan.—I do not know. What is published in the District Gazetteer is the retailer's price.

President.—Is that given by the District Collector?

Mr. Vasudevan.—Yes.

President.—Have you got District Gazetteers in your office?

Mr. Vasudevan.—They don't supply to us.

President.—Could you get us a copy?

Mr. Vasudevan.—Yes. The average ruling price for the last 3 weeks I find is 1 anna 3 pies.

President.—Let us have your ruling prices for the last two months from your diaries.

Mr. Vasudevan.—My diaries are not here.

President.—Could you send us copies of District Gazetteers for the last two weeks?

Mr. Vasudevan.—Yes.

President.—Do you know anything about the method of sale of salt?

Mr. Vasudevan.—It is true that they are giving some salt free. Poor people do not buy salt always.

President.—Actually very poor people get their salt free.

Mr. Vasudevan.—Yes, a pinch of salt. That is the customary amount.

President.—That would not vary according to the price.

Mr. Vasudevan.—No.

President.—They will get their pinch of salt irrespective of the price.

Mr. Vasudevan.—They buy two or three *samans* and get a pinch of salt free. That is the practice in the bazar here.

President.—That is the custom all over India.

सत्यमेव जयते

NORTHERN INDIA SALT REVENUE DEPARTMENT.

B.—ORAL.

Evidence of Mr. A. L. HOYLE, I.C.S., Commissioner, Northern India Salt Revenue, and Mr. C. H. PITT, General Manager, Salt Mines, Khewra, recorded at Khewra, on Tuesday, the 3rd December, 1929.

President.—Mr. Hoyle, you are Commissioner, Northern India Salt Revenue Department.

Mr. Hoyle.—Yes.

President.—You are in charge of the Salt Range and the Rajputana Salt sources.

Mr. Hoyle.—Yes, and Kohat also, which is different. We don't sell salt at Kohat. We merely regulate the sale and realise the duty.

President.—That is a very small amount.

Mr. Hoyle.—It is quite a minor matter. Kohat is not a place where we manufacture. The salt belongs to the quarry owner, the local man. It is quarried or mined under our supervision. It does not come within your scope.

President.—You do the commercial part of the Department.

Mr. Hoyle.—Yes.

President.—But under the orders of the Central Board of Revenue I take it.

Mr. Hoyle.—It is really the Finance Department. When there is any change made in the rates or anything of the kind, the orders come through the Finance Department (Central Revenues).

President.—That is really the Central Board of Revenue.

Mr. Hoyle.—Practically.

Mr. Mathias.—How long have you been the Salt Commissioner?

Mr. Hoyle.—18 months.

President.—They tell you the principles on which the issue prices are determined by them.

Mr. Hoyle.—The actual rates themselves they have recently modified. They announced them in July last. The rates are fixed really by the Finance Department.

President.—It will be necessary to examine that Department to find on what principle they do it.

Mr. Hoyle.—Yes. I have not got with me here a copy of a very full note which was prepared by the Board on this subject when proposals were put up for revising the prices.

Mr. Mathias.—Could you give us any idea?

Mr. Hoyle.—The general idea is to cover our costs of production and not to make any profit.

President.—The whole point is we have got to go into the cost. We have to determine your cost and whether your costing account is correct from our point of view.

Mr. Hoyle.—Quite.

President.—It may be quite all right from the Government point of view but we want to know whether the principles on which you regulate your prices are correct. We are not yet in a position to say whether it is a

remunerative proposition or not. As far as I can see in both respects it requires some alteration. So far as you are concerned, you are subject to the orders of the Central Board of Revenue in this matter?

Mr. Hoyle.—Yes.

President.—Your accounts are kept in accordance with their orders, general or special.

Mr. Hoyle.—Yes.

President.—That is to say they have fixed what they call the commercial basis for accounting.

Mr. Hoyle.—Yes.

President.—That is entirely fixed by the Government of India.

Mr. Hoyle.—Yes.

Mr. Mathias.—Or the Auditor General?

Mr. Hoyle.—The Auditor General makes his recommendations which I think the Finance Department generally accept, but the orders come to us from the Central Board of Revenue.

Mr. Mathias.—On the question of account keeping, I imagine that the lines would be laid down by the Auditor General.

Mr. Hoyle.—Yes.

President.—They don't lay down this policy in any of the Manuals.

Mr. Hoyle.—No.

President.—There is one aspect of it namely that Government does not or should not make any profit. Has that been laid down by law or by any resolution or by any authoritative statement or is it merely a departmental rule that Government should not make any profit.

Mr. Hoyle.—Not a departmental rule; it is a principle which has been accepted by the Finance Department.

President.—Who laid it down first of all? In what way did it come into practice? It is quite obvious that Government, if it runs the whole business and has 5 or 6 different branches, can say 'we don't make any profit on all our business' but I cannot conceive of any reason why it should work any one of these branches at a loss. Say there are 6 branches. It does not make any profit in five branches. They are all absolutely losing. Has Government fixed any principle? It seems to me quite absurd. If it was a business firm, it would lead to the Bankruptcy Court. I want to know where this curious principle of business is laid down.

Mr. Hoyle.—It is more political than business.

Mr. Mathias.—Am I right in believing that the Central Board of Revenue altered their rules in this respect, so that the whole undertaking might be regarded as one, as regards prices? The principle of the Northern India Salt Department in future will be to average the costs if there be any loss on the undertaking as a whole.

Mr. Hoyle.—Yes.

Mr. Mathias.—That is a new principle.

Mr. Hoyle.—Yes.

President.—Have they applied it so far?

Mr. Hoyle.—They have attempted to do so in framing the new orders regarding the issue prices, but the difficulty is that they do not want to enhance the price too sharply anywhere at one time. If they do so, there will be a howl from the politicians.

President.—But the whole point is that unless Government make an attempt to average the prices over the whole of its business area, it seems to me that it is a wrong method of doing business. Supposing you are running the same sort of business in five or six different localities, you would say to yourself 'Now on the whole I want a profit of 10 per cent.'. You find that in every place except one you are making a profit of 10 per

cent. but you are losing 15 per cent. in one place. Would you not like to do it in such a way that the whole business gave you a return of 10 per cent. because you are monopolists and you are not subject to the ordinary laws.

Mr. Hoyle.—That is so.

President.—That is one point. You produce salt in two or three different localities. All the different varieties that you manufacture do come into competition with one another in certain places.

Mr. Hoyle.—No, not to any very great extent.

President.—Supposing you wanted to go into the Sambhar market you would do so with your Khewra salt.

Mr. Hoyle.—Government is rather aiming at keeping to zones. They don't want the Sambhar salt to replace Khewra salt in the Khewra zone or *vice versâ*.

President.—Take the Government Kharaghoda salt. It certainly comes into competition with Sambhar which is also Government property.

Mr. Hoyle.—I could go further than that. At the moment we are attempting to put Kharaghoda salt on the Sambhar market in order to make up the losses we have had at Sambhar owing to the floods.

Mr. Mathias.—Do you find that the people, used to Sambhar salt, are willing to take Kharaghoda salt?

Mr. Hoyle.—No.

President.—Take the Central Provinces. There you compete against Kharaghoda.

Mr. Hoyle.—We do.

President.—That does not seem to be a good way of doing business. They both belong to Government. How can you compete against your own stuff in one market? Ordinary business won't be done on that principle.

Mr. Hoyle.—No.

President.—I am asking you whether it is a fact that Kharaghoda salt does come into competition with Sambhar salt.

Mr. Hoyle.—Certainly. In the Central Provinces, we sell very, very little Sambhar salt. Much more Kharaghoda salt is sold there.

President.—Kharaghoda is still more distant than Sambhar.

Mr. Hoyle.—More distant from the Central Provinces you mean?

President.—Yes.

Mr. Hoyle.—As the crow flies it is not very much. As a matter of actual railway miles, most certainly it is. Sambhar is more accessible to the Central Provinces than Kharaghoda.

President.—There is more direct communication with the Central Provinces and yet it happens that Kharaghoda is allowed to compete against Sambhar in spite of the fact that both are Government concerns.

Mr. Mathias.—You say that these two Government concerns are allowed to compete one against the other. I suppose in actual practice it is purely a question of the wholesalers competing against each other.

Mr. Hoyle.—That is really so.

Mr. Mathias.—Is there any attempt on the part of Government to push the sale of Kharaghoda salt just to displace the Sambhar salt?

Mr. Hoyle.—No.

Mr. Mathias.—It is the policy of Government to leave the marketing entirely to the traders.

Mr. Hoyle.—Yes.

President.—But you create conditions which make this possible, that is to say, it is like this. On this principle of not making a profit Kharaghoda salt would be sold at 2 annas a maund and you might sell yours at 4 annas a maund on the same principle. Instead of selling the Kharaghoda salt

at 4 annas you give the dealer or merchant an advantage of 2 annas. As you don't quote destination prices, the benefit of the freight also goes to the middleman or somebody else other than the Government. If you quoted a price to destination, you could quote it in such a way that you will get a higher average for the places nearer the source of supply and a lower average for the more distant places but taking the two together the salt would be on the whole cheaper to the destination than is likely to be in this way. That is the principle.

Mr. Hoyle.—Yes.

President.—I see that your costs are more than 5 annas a maund at Khewra.

Mr. Hoyle.—Yes.

President.—Your issue price is 3 annas 6 pies.

Mr. Hoyle.—No, it is 4 annas 6 pies. Despatch charges are six pies and the total is 5 annas.

Mr. Mathias.—The issue rate was 3 annas 6 pies.

Mr. Hoyle.—Yes, but it was raised to 4 annas 6 pies in the middle of this year.

Mr. Mathias.—It is still below your cost.

Mr. Hoyle.—Yes. If you like I can get you a copy of the note which will give you all the information you want.

President.—That note will give us the reason why this was done.

Mr. Hoyle.—Yes. It will give you the principles on which the revision was made.

President.—I am just trying to point out to you that in fixing the price of a commodity you should take into account all the factors. You don't fix it with reference to your costs only but with reference to the economic conditions of other competing sources of salt. If the consumer does not get the salt from you where else would he get it from? These considerations do not apply to Government. Take the case of your fuel oil that you are using here and see how that price is fixed. You are not very far from Attock.

Mr. Hoyle.—No.

President.—But you are paying the same price as you would if you imported it from Karachi.

Mr. Pitt.—We actually buy it from Karachi.

President.—Probably you have paid the same price as you would if you had bought it from Attock. On the same principle you ought to do it much cheaper. That is business and this is not. I am not suggesting that Government must take the fullest advantage of their geographical position or of their monopoly but the Government must sell it in such a way that they can increase their radius of supply. That is to say, in this locality you may raise the price and with the profit that you make you may be able to reach a much further market. I shall explain to you how it works. If you take Khewra itself, it is your nearest market. The advantage of its proximity to the works it is bound to get, but you are not bound to give it the advantage of a reduction in the general costs resulting from an increase in the output. Supposing Khewra alone was to be supplied from this mine it would probably cost 8 annas a maund, is it not so?

Mr. Hoyle.—Yes.

President.—Therefore Khewra is not entitled to anything below 8 annas. What you are now doing is that you have reduced the cost from 8 annas to 4 annas by increasing the production because you are able to sell in other markets and you are giving this four annas to the Khewra people for no rhyme or reason. What you should do is this. Supposing there is a reduction of 4 annas in costs and the average reduction is 2 annas, you will charge Khewra 8 annas and you will charge Bengal 4 annas. In that way the average price may be 6 annas to all the consumers. That is merely an illustration. Supposing you lose 4 annas on it, you ought to be able

to recover that 4 annas from some other market without making the price too high.

Mr. Hoyle.—A sliding scale of prices in inverse ratio to freights.

President.—That is the bare principle. You may modify it. But this is the point. Supposing Khewra depended on the production which Khewra required, it could not get the salt for 4 annas a maund. Probably it would be 8 or 10 annas a maund. Therefore Khewra is not entitled to have it at 4 annas. Simply because it happens to be nearer the mine, it should not get the cheapness resulting from the increased production. Therefore Government can reconcile that principle of not making a profit and at the same time raise prices in localities which are getting the salt a little too cheaply and put it into a market at a price where it would otherwise be a little too dear.

Mr. Hoyle.—Yes. That is a suggestion which would interest the Finance Department.

President.—It has got to interest us first. Whether it will interest the Finance Department or not, we are bound to point this out.

Mr. Hoyle.—Yes.

President.—It is also possible that if you changed your method of sale, you would not necessarily raise the price to the retail consumer because you would only take away something from the middleman.

Mr. Pitt.—Would all this be done on freights or would you have Government selling depôts. At present we have no control whatsoever.

President.—Government will supply to the locality direct at an inclusive price free on rail destination. You don't say 'I will charge 4 annas here'. You simply say 'I charge 12 annas a maund delivered at Cawnpore or delivered in some other place'. If you did it in any other way, there would be trouble. You cannot quote 4 annas here and 8 annas to Cawnpore.

Mr. Mathias.—You don't quote the price including the freight.

Mr. Hoyle.—No.

Mr. Mathias.—Supposing I was at Cawnpore and ordered a wagon of salt, would not I go to the nearest treasury and pay there the cost price *plus* freight?

Mr. Pitt.—Take the treasury at Cawnpore. You go there and deposit just the exact price of a wagon, *plus* the duty, *plus* the despatch charges. You being a trader would arrange the freight at Khewra.

Mr. Mathias.—How would I arrange the freight when I am at Cawnpore.

Mr. Pitt.—You have usually an agent at Khewra.

Mr. Mathias.—Your system practically is confined to the sale of salt to big dealers.

Mr. Pitt.—No.

Mr. Mathias.—You will have to send it with freight to pay.

Mr. Pitt.—If you want two wagons in Cawnpore, we would send the salt to you with freight to pay.

Mr. Hoyle.—I am afraid that the people who ask for the salt are not the people who actually take it. There is a tremendous amount of gambling. They do not want to pay the freight.

Mr. Mathias.—Would you mind explaining a little more in detail exactly what you mean by gambling?

Mr. Hoyle.—They speculate on the future condition of the market. That is really what it is.

Mr. Mathias.—How do they speculate? I am in Cawnpore and I want your salt. How do I send for it?

Mr. Hoyle.—You buy your wagon load, probably on credit through a Bank. The dealers generally get the Bank to lend them say Rs. 2 lakhs to invest in Government securities on their account. We accept that security

and open a credit for them which will entitle them to indent for salt up to the value of the security. We knock off 5 per cent. to cover depreciation of the security. They put in their indent, and pay the current issue price, *plus* duty and despatch charges. Then, they sell their wagons at a profit. They give the name of the purchaser in the indent and of their local agent.

President.—I want to know how the speculation that you talk about is done. You tell me that there is a lot of gambling in salt. Many purchasers never intend to take delivery. I want to know how is this speculation done? First of all, they buy a certain number of wagons of salt. Having bought on credit, how do they get rid of those wagons?

Mr. Pitt.—Take this big trader, Diwan Chand. He would put in indents for 100 wagons on the assumption that he would be able to sell them always at a profit. He would do everything he can to keep other people out of the market to which he intends to send those wagons.

President.—He is not going to send those wagons. Mr. Hoyle tells me that people do not take delivery.

Mr. Hoyle.—At Sambhar these big men do not take delivery themselves.

Mr. Pitt.—But they control it.

Mr. Hoyle.—By buying it months ahead.

Mr. Pitt.—The big man controls here 100 wagons of salt. He can tell us where to send those wagons. I will tell you how it is done. Just before March every year the gambling goes on. As you know, the Legislative Assembly fixes the duty just about that time. Some people go round a biggish station—send spies or agents—and say 'Government is going to increase this duty and therefore the whole of that market had better buy its salt'. It is done by letter or by word of mouth. Then, having got that market he would pour salt into it. He will indent, but he will get all the retailers to take away all the wagons—a wagon here and a wagon there.

President.—That is very much like an ordinary trade. There is not very much of gambling. The only thing is that instead of your holding it at the mine, he is holding it up at his depôts. Diwan Chand, for instance, has a partial control over the market. He knows that in the Delhi district there are only 100,000 tons available at a particular market and therefore the price is going to rise. In anticipation of that, he does this or if he feels that the place is overstocked, he does not buy anything at all.

Mr. Pitt.—Just take the case where we have a system of monthly indents. For this particular month I have been flooding the market in anticipation of the increased output due to the reduction in freight which has not come off. I have flooded the Punjab market, but the traders have formed themselves into a ring and have refused to take any more. They control the situation. Next month, they will probably put in as much as they probably can.

Mr. Mathias.—Mr. Diwan Chand's customers in this particular district, why should they buy salt wagons from him at an enhanced rate when by sending their money up here they can get wagons at Government rates. Why are they paying more?

Mr. Hoyle.—He has gulled them into paying it.

Mr. Mathias.—They know that they can go to the treasury and get their salt at a fixed rate.

Mr. Hoyle.—But they would probably not get it immediately. For instance, at Sambhar we are now clearing indents of September, 1928. If they put in their indent now, they won't get salt for months.

Mr. Mathias.—If Diwan Chand had to pay cash instead of buying it on credit, it would be difficult for him.

Mr. Hoyle.—Yes.

Mr. Mathias.—He will have to take delivery.

Mr. Hoyle.—Yes.

Mr. Mathias.—What advantage does the credit system give to Government?

Mr. Hoyle.—None, I am not defending the credit system.

President.—The idea underlying the credit system was that there should be no shortage of stock owing to want of capital. That was their idea. Government thought that if they gave credit to people even small people might be able to indent direct from the Government works and take it as they required and thus balance the supply and demand. What has happened is that with Government money it is now possible for a man by paying 3 annas a maund which is the issue price to speculate in an article which is worth 7 or 8 times that.

Mr. Pitt.—He can also speculate with cash indenting. I am not defending the credit system.

President.—For six months, he does not pay any interest. When was the credit system introduced first?

Mr. Hoyle.—In 1922.

President.—That was before the constitution of the Central Board of Revenue, I think.

Mr. Hoyle.—Yes. The Central Board was constituted in 1924, I think.

President.—But before that it was working really informally.

Mr. Hoyle.—Yes.

Mr. Mathias.—Let us suppose that Khewra salt could be landed in Bihar and Orissa at a price which would compete with the imported salt. If one of the big wholesalers like Mr. Diwan Chand were either interested in landing the Sambhar salt or the imported salt, it would be possible for him to exclude Khewra salt altogether by placing sufficient indents.

Mr. Pitt.—Yes, it would be possible.

Mr. Hoyle.—As a matter of fact we have new indenting rules which would check that to a considerable extent. The most important rule is that nobody is allowed to indent for more than a quarter of the month's supply.

Mr. Pitt.—That does not apply to Khewra monthly indents.

President.—We will have to examine you Mr. Hoyle more fully at Sambhar. I just want to understand now whether the same principle applies to Khewra.

Mr. Hoyle.—What principle?

President.—Some big fellow here or a few big fellows might be controlling the market in that way.

Mr. Hoyle.—Yes.

Mr. Pitt.—There is very little danger so far as Khewra is concerned because as compared with our market our capacity for output is so high that they cannot gamble.

President.—A small man in Cawnpore might not get his indent for 6 months.

Mr. Pitt.—Not here. If at any time we see that prices are going up, we can absolutely kill the market dead.

President.—How can you? You don't find anybody to take your salt, because you don't sell salt on your own account. The point is this. They will say "Khewra is putting this salt here. Twelve of us are here. We will see that they are not able to do it" and do not indent for this salt. If somebody were to do it, they will say "we know where this fellow is going to take his salt. We will flood his market with our salt'. Is not that possible?

Mr. Pitt.—There is a certain amount in that.

President.—After all, 130,000 tons is not a big quantity for anybody to buy. It is only 4 annas a maund. One single man might do it if he liked.

Mr. Hoyle.—You mean that Diwan Chand for example might freeze out all the other traders?

President.—Under your system he can do it.

Mr. Hoyle.—Yes.

President.—What control have you got? I quite understand that Government intended to control prices. Government could only do it if it itself went and sold in that particular market. When Government does not do it, it cannot give effect to its intention. It is a matter of Rs. 15 lakhs to him to buy your whole output. He simply indents for the whole output.

Mr. Hoyle.—We can clear indents too quickly.

President.—That is very indirect.

Mr. Hoyle.—We can very quickly double our rate of issue.

President.—To whom? There are no purchasers. Take an extreme case. Take the case of one purchaser or half a dozen purchasers. You cannot get a market where you can sell your salt.

Mr. Pitt.—We have half a dozen purchasers who put in enough indents which would ordinarily cover our issues. Supposing we give them that salt, others would indent on us for more salt.

President.—There would be no more indent for you. They pay you only Rs. 3 or Rs. 4 per ton. They have got six months credit. What they would pay is only 10 or 15 per cent. of the actual price that they would eventually realise. They say 'we are going to sit on it'. Your stocks go up because they won't indent for salt. What will you do in a case like that?

Mr. Hoyle.—We keep on pushing out salt.

President.—Where will you? If you sell direct, we can quite understand. If you are at liberty, say, to take your salt to Rawalpindi where they may be putting up prices, then I can understand you can control the market. You don't take the salt to Rawalpindi. You have got to get somebody to take it to Rawalpindi in competition against Diwan Chand.

Mr. Pitt.—Why should not people do that? If Diwan Chand buys up our output for, say, six months, we can supply him that quantity in two months.

President.—You will not be able to do it. He will say 'I want my indents every month' and it will be a long time before Government can say that we will supply you in two months.

Mr. Hoyle.—He has paid for it and must take it.

President.—I am your purchaser. What right have you to tell me that? You are a public body. I say I want 1,000 tons of salt in one month's time. You say 'take it to-day'. I say I won't. Have you got the means to compel me to take it?

Mr. Hoyle.—Yes, unless you cancel your indents.

President.—Diwan Chand might say 'I want 1,000 tons every day'. He does not say 'I want 180,000 tons in six months'.

Mr. Pitt.—Under our rules, if a man indent for salt we can give him that salt at any time.

President.—He will work it in such a way that he gets the quantity he requires and at the same time will be able to corner the market.

Mr. Pitt.—He cannot corner the market as long as we have enough salt to give him. Our only trouble is a shortage. If for any reason we cannot flood the market then he can corner the market.

President.—We shall go into that question later on when we come to prices.

Mr. Pitt.—The big traders have been clever enough to see that the credit system is a very good thing. The small men are frightened. The big trader with the extra money that he is paying by using the credit system is freezing out the small men in a very large number of markets.

President.—Precisely. The bigger fellows will gradually squeeze out the others and eventually the trade may pass into the hands of a few people.

Mr. Pitt.—So far as our own zone is concerned, Diwan Chand has been beaten hollow.

President.—Is Diwan Chand one of your large purchasers?

Mr. Pitt.—Yes.

President.—Can you give me the names of the principal purchasers from Khewra and also the quantity purchased by each of them.

Mr. Pitt.—Mr. Diwan Chand is one, and there is a Rawalpindi firm Hira Nand Jai Ram Singh. They are our biggest purchasers.

President.—How much of your production do they take?

Mr. Pitt.—I cannot say off hand—at least a quarter.

President.—Will you give me the exact figures later on?

Mr. Pitt.—Yes.

Mr. Hoyle.—Would you like that information for Sambhar also?

President.—Yes. There of course the system is a bit different.

Mr. Hoyle.—Yes. We will give the names of the principal purchasers and the quantities of salt indented in one year.

Mr. Mathias.—Supposing you were in arrears or Government had some source of supply from outside India for fine crushed salt, would your customers take that? I assume that you would be able to offer that salt at the same price as Sambhar salt.

Mr. Hoyle.—I don't think they would. The Sambhar market wants crystalline salt. They don't want crushed or even fine salt. They have been complaining bitterly of late. Take for instance the wind salt which forms on the surface of the pan. It is perfectly good salt. You and I would eat it with pleasure. But they won't, so we put it back into the pan as a nucleus for the next crop. They simply don't want it.

Mr. Mathias.—If the salt is slightly different from the Sambhar salt your customers won't accept it.

Mr. Hoyle.—They don't like fine grained salt.

President.—It depends on the price. Supposing there was a shortage of salt and the price went up to Rs. 3 a maund and this fine salt was sold at a very much lower price, they would take it up, would they not?

Mr. Hoyle.—Perhaps.

Mr. Mathias.—Will the man who eats the salt take it?

Mr. Hoyle.—No, I should think he would not. After all, these big buyers must have studied the tastes of the consumer. We must presume that.

President.—What about Pachbadra salt? Does it compare all right with the Sambhar salt? Will people take it?

Mr. Hoyle.—The quality is fairly satisfactory, and people will take it.

Mr. Mathias.—Will they take the Dilyar salt?

Mr. Hoyle.—Yes.

Mr. Mathias.—Would your Sambhar people take that?

Mr. Hoyle.—Yes.

President.—They will take it if they cannot get any other?

Mr. Hoyle.—Yes.

President.—In Sambhar you have got the accretion system which gives you these big lumps.

Mr. Hoyle.—Yes.

President.—If we were to say that this system should be given up in favour of the other system where salt would be collected every 3rd or 4th day, and if you did the same at Sambhar and there was no Sambhar quality that you now sell, would they not eat it? You have pandered to their tastes far too much.

Mr. Hoyle.—I agree.

President.—You are not asking them to eat any inferior stuff. This stuff is better.

Mr. Hoyle.—As a rule Sambhar salt is very good. We get up to 99 per cent. sodium chloride. It is usually between 98 and 99 per cent.

Mr. Mathias.—Before this accretion system came into force, what system had you in Sambhar?

Mr. Hoyle.—We just had pans.

President.—Were not the grains smaller?

Mr. Hoyle.—Yes.

Mr. Mathias.—Has this big grained salt come into use only in the last 4 or 5 years?

Mr. Hoyle.—Longer than that. It was standardized under the improvement scheme. The improvement scheme was completed between 1920 and 1924.

President.—That is only a few years.

Mr. Mathias.—Have they always worked the accretion system?

Mr. Hoyle.—No.

President.—In the accretion system you have big pans and you go on adding brine.

Mr. Pitt.—So far as I am aware, the system of manufacture has not been radically changed by the new scheme.

President.—Whereas in the other system you have condensers.

Mr. Hoyle.—There were originally only pans. They don't give you big crystals but only small crystals.

President.—Here is a sample of the Star Works salt.

Mr. Hoyle.—Didwana is a place where the primitive pan methods are in progress. The crystals are a bit bigger than this.

Mr. Mathias.—The same people who eat Didwana salt eat Sambhar salt?

Mr. Hoyle.—No, because there is very little of the Didwana salt.

President.—The whole point is that people might first grouse about it. We are told that the Bombay people eat dirty salt in preference to the clean salt. That is merely a matter of habit. Supposing you supply them with this better grade in time they would take it: it is possible for Sambhar to crush the salt?

Mr. Hoyle.—Yes.

President.—Do you anticipate any serious difficulty? Supposing you didn't produce these big crystals at Sambhar, would they not eat the smaller grained salt which is better?

Mr. Hoyle.—Enquiries that were made in Bihar shortly after the war showed that Sambhar salt which was crushed and put on the market was not popular.

President.—It would not be so clean if you had these big crystals. The point about it is that if you have smaller crystals there is less dirt in it. It is whiter.

Mr. Hoyle.—I don't quite know why the smaller crystals should be whiter . . . .

President.—If you allow the salt to remain for six months, dirt gets in and becomes part of the salt.

Mr. Hoyle.—Does it not presuppose a firm bed—masonry or concrete?

President.—Those are not very dear. Instead of putting in 12 inches of brine, you may have 3 inches. In Karachi, almost next day they get a crop. Therefore instead of your getting one crop, you will get 100 crops in 4 or 5 months.

Mr. Hoyle.—We do not confine ourselves to one crop. We sometimes get two crops.

President.—In Okha they get a crop on the second day from the condenser. The saturated brine is 17° or 18° B.

Mr. Hoyle.—You drain your pan completely dry?

President.—You collect it before it is 29° B. before the other salts deposit. Then you drain the whole thing out.

Mr. Hoyle.—You collect before it is 29° B.

President.—Yes. There is very little chance of magnesium chloride or anything getting in.

Mr. Hoyle.—I follow.

President.—In that way, you may be able to increase your output in Sambhar.

Mr. Hoyle.—Yes, we might.

President.—That is to say, these 12" kyars that you have you may use as condensers. The depth of the brine in pans can be regulated according to evaporation.

Mr. Hoyle. I do not know that the brine would evaporate quickly enough at Sambhar. Conditions may be different.

President.—I have not gone into that. The system of manufacture that you have in Sambhar is against your producing very clean salt.

Mr. Hoyle. Our Sambhar salt when analysed does come out very well as a rule.

President.—People don't buy salt on analysis. Mr. Pitt, you are the General Manager.

Mr. Pitt.—Yes.

President.—Are you a mining engineer or salt engineer?

Mr. Pitt.—I am a Metal Mining Engineer. I was trained as a Metal Mining Engineer.

President.—What metals?—iron and that sort of thing?

Mr. Pitt.—All metals. Mining Engineers are divided into Engineers trained in coal mining and metal mining.

President.—You were trained as a Metal Mining Engineer.

Mr. Pitt.—Yes.

President.—Did you have any special training as a Salt Mining Engineer?

Mr. Pitt.—Very little; with the exception of a short trip round the salt mines in England previous to my coming out to India, I had never been in any of the salt mines before.

President.—You acquired your experience here.

Mr. Pitt.—Yes, my experience of salt mining.

President.—Have you ever been to America?

Mr. Pitt.—I have been.

President.—Have you seen the salt mines at work?

Mr. Pitt.—Yes.

President.—What I want to know is do they get absolutely white salt or is it coloured?

Mr. Pitt.—I went to several mines and I think in one case they were working almost pure white salt. But generally speaking the salt there is clayey and in some cases considerably worse than ours.

President.—What process do they employ? Do they have mining or what? Do they have other processes like pumping water into the mine and converting into brine?

Mr. Pitt.—I visited the mines only, but there are both processes.

President.—Do they produce pure salt?

Mr. Pitt.—Yes.

Mr. Mathias.—Do they get crushed salt?

Mr. Pitt.—Yes.

President.—You can get rid of the colouring matter, can't you?

Mr. Pitt.—Yes.

President.—Have you got the analyses of those salts?

Mr. Pitt.—No.

President.—Can you refer us to some books?

Mr. Pitt.—The analyses were equal to anything that we have.

President.—In the analyses have you got any description of the colouring matter?

Mr. Pitt.—The amount of colouring matter is very minute.

President.—What does a block salt look like? Would it be pinkish.

Mr. Pitt.—Exactly.

President.—They convert that into white table salt.

Mr. Pitt.—Yes.

Mr. Mathias.—What process do they adopt before crushing it?

Mr. Pitt.—Simply crushing. I was interested in the place that I visited as a Mining Engineer. Whether the stuff was sent off to any factory afterwards to have some chemical put in to prevent it from clogging, I could not say. As far as I was concerned they crushed it by the help of jaw crushers or disintegrators.

President.—I suggest first of all you must either experiment here or send this salt to people who deal with it and get the results.

Mr. Hoyle.—We cannot get the machinery, I am afraid.

President.—The only thing to do is to send it to a reliable firm of machinery makers at home. You can say 'We will send you two or five tons or whatever it is. We want to see what you can do with it'.

Mr. Hoyle.—Do you mean that we should send our rock salt?

President.—Yes. Well see (sample of salt powdered and screened by President shown) by this crude experiment what happens. If you get it done on 5 or 10 tons of salt, it would be money well spent. Would it not be better?

Mr. Hoyle.—I do not know whether anybody would do it for us.

President.—Machinery makers would do it for you. You have only to find the machinery makers.

Mr. Pitt.—I know.

President.—Say to them 'we want this to be converted into table salt without any chemical process—just simply crushing—see what you can do with it'. Apply to Germany or America or any other place. England I don't think is the proper place to apply to.

Mr. Pitt.—I also agree that England doesn't specialise in this kind of machinery.

President.—The whole thing is you can experiment. You can also get a small crushing plant if necessary to make your experiments.

Mr. Pitt.—I think that would be the most satisfactory.

President.—The whole point is this: you won't make the machinery. Any ordinary plant that might do would not be suitable for large scale production. Supposing you are to heat the salt, you will have to have other arrangements. You cannot afford to heat it.

Mr. Pitt.—Admittedly.

President.—Therefore it is much better to go to those people who will go through the different processes and say 'this is the process we use and this is the result. These are the costs'. Of course if we are able to see this much for ourselves even by this crude experiment that we have made,

it shows that it can be done. That is the starting point. Before you commit the Government to market this salt, Government would like to know whether it would be a success on a commercial scale. It is for that reason I suggest that steps should be taken to get the opinions of countries where they do have the same sort of salt.

Mr. Pitt.—I think the cost of doing it might be high if we handed this over to a metallurgical body.

President.—I mean a mechanical engineering firm which produces machinery. Metallurgists may be able to tell you and you may do it yourself. That is all very different. Metallurgical tests are all right up to a certain point.

Mr. Pitt.—Salt is a mineral of which relatively only a small quantity is produced in rock form. From what I have seen of other countries the method of pumping brine is more popular.

President.—That is out of the question here.

Mr. Pitt.—Yes. It is for that reason I say it will be difficult to get any machinery makers who would specialise in machinery for dealing with this salt.

President.—Take the Wieliscka mine which is the biggest in Europe.

Mr. Pitt.—The output is smaller than ours.

President.—Probably so, but still they must be doing something with it.

Mr. Pitt.—So far as England is concerned rock salt is only sold for consumption by cattle.

President.—The whole point is this: you have got first of all to see by your experiments whether it can be done. You have got to devise machinery which implies a lot of labour saving appliances which the metallurgists won't be able to give you. Is it not so?

Mr. Pitt.—Yes. Personally I think it would be worth trying.

President.—I am not ruling out your own experiments. Having done that it would be very much safer to say 'we want machinery which would do this'.

Mr. Pitt.—I would have more faith on the results obtained from a small experimental plant here.

President.—That is quite true. I quite agree with you. You would know that you would be able to produce this salt, but unless you are a maker of machinery, you will not be able to say what sort of plant you should have which would be economical for you. It is for that reason I say you want a machinery maker. Tell him 'I want this service to be performed. I want you to devise machinery'. Those two things are very different. You can make steel for instance in a crucible and so I can make it, but the steel plant is a very different thing from a crucible. In the same way you may be able to turn out the quality you want in a small experimental plant, but your costs may be very high. What is the cost of the experimental plant?

Mr. Pitt.—About Rs. 5,000.

President.—That can be sanctioned direct by the Central Board of Revenue.

Mr. Hoyle.—Yes. If we want a satisfactory plant for putting the salt in the Bengal market, the plant would have to be designed for use in India.

President.—That is not what I am suggesting. What I say is you will have to consult the machinery makers and tell them that you want such and such a thing done at such and such a cost.

Mr. Pitt.—I have seen very little of salt refining.

President.—That we rule out. The whole point is it costs Grax Rs. 1-8-0 a ton.

Mr. Pitt.—It should not cost so much.

President.—Even if you did it at that price, it is a kind of salt which would bear that expense.

Mr. Mathias.—It is not too much.

Mr. Pitt.—It seems to me to be a little high. You are talking of crushing from this size to that size. (Sample shown.)

Mr. Mathias.—Do you think that it can be done at less than that?

Mr. Pitt.—Yes.

President.—If you do that, you will have to have more machines to break things up, another set of rollers. In the Okha process they have two machines, that is to say they have steel crushers (rollers) and another set of porcelain rollers. In Grax there are only disintegrators.

Mr. Mathias.—What is your freight from here to Cawnpore per maund?

Mr. Pitt.—Cawnpore is about 600 miles from here. The freight will be about 8 to 9 annas according to revised rates.

Mr. Mathias.—Have you sent any salt to Cawnpore?

Mr. Pitt.—Yes.

President.—What are the new rates that you speak of?

Mr. Pitt.—We haven't got a detailed statement here.

President.—Can you give us the revised freight rates to the principal markets given in Appendix IX?

Mr. Pitt.—We will send it to you later.

President.—That applies only to Khewra.

Mr. Hoyle.—Yes.

President.—And not to Sambhar?

Mr. Hoyle.—No.

President.—Appendix IX gives places where you actually sold your salt.

Mr. Pitt.—It gives the principal markets.

President.—Cawnpore is omitted, but I take it that you have Cawnpore freight rates. Give us as far as you can go in the East. We are not concerned with this local market which you have already got, but with the further markets, that are beyond a radius of 300 to 400 miles from here.

Mr. Pitt.—Yes.

President.—I haven't got the papers about the discussion regarding the rates. May I know what are the final orders?

Mr. Hoyle.—What we have here is a copy of a press communique issued by the Central Board of Revenue dated the 27th September 1929 for the information of the salt traders that the North Western Railway had made a reduction of one anna 7 pies. We are negotiating with them to see whether they would make a further reduction to Howrah. You can see all the correspondence if you like.

President.—How far has it gone? Has it come to any concrete proposal on your part? What freight have you asked for?

Mr. Hoyle.—I am simply asking them what they can do. I am approaching the East Indian Railway at the same time. The North Western Railway have agreed to extend the concession, which was confined to stations in Bihar and the United Provinces, to bookings to Howrah.

President.—What was the freight to Saharanpur before?

Mr. Hoyle.—It was As. 7-11. I think it is now As. 6-4. They have agreed to extend the concession to bookings to Howrah and the East Indian Railway are asking for the comparative current prices.

President.—What is the date of this letter?

Mr. Hoyle.—28th October. We have written to the Director of Industries Bengal for current prices.

Mr. Mathias.—Under the concessions granted by the North Western Railway what would be the rate to Howrah?

Mr. Hoyle.—I haven't got that now.

Mr. Mathias.—You depend on the East Indian Railway.

Mr. Pitt.—Yes.

President.—Please let us have the revised rates.

Mr. Pitt.—Yes.

President.—We have got to consider first by how much you can increase production and how long it is going to last. It is partly a geological question and partly engineering. As regards the geological part of it, what is the calculation of the geologists?

Mr. Pitt.—There are no calculations. There is a geological survey, but they have not taken up this particular point.

Mr. Hoyle.—I have given you some figures in cubic miles in the case of the Khewra mine.

President.—How do you know that it is all salt; How much did you give?

Mr. Hoyle.—20 cubic miles.

President.—How do you know that it is all salt?

Mr. Pitt.—No geologist has ever been sent round definitely to estimate what quantity of workable salt is available in the Khewra mines.

President.—On what are we to proceed?

Mr. Pitt.—We are proceeding on the geological evidence underground in the Khewra and Warcha mines.

President.—Has it been considered by the geological?

Mr. Pitt.—It has been considered by the staff here.

President.—Has the staff here got very great geological knowledge?

Mr. Pitt.—Here is a Mining Engineer's estimate which is based on a fairly reliable evidence of the quantity of salt available.

President.—What is the evidence?

Mr. Pitt.—It is based on the fact that the two tunnels which have been driven at a certain distance apart have penetrated salt. It is assumed that the block in between these two tunnels is full of pure salt.

President.—Which mining engineer has done it—yourself and who else?

Mr. Pitt.—I have done it and my predecessors.

President.—It is rather stated in this way that on the present output there is enough salt to last for 50 years. That is how it has been stated. But if you double the output it comes to 25 years.

Mr. Pitt.—Our information is this: at present we have a large block of virgin salt which has not yet been touched. We don't know the length of this block. But we have geological evidence to the effect that it is all salt. We don't know the depth of our seams. We have not yet worked deep enough down to say anything definite regarding the depths to which these seams penetrate and whether they possess the same thickness at the same depth.

President.—We need not take such a long view. It would suffice for us to take a view sufficiently long which would permit of the block dying out within that period. That is to say supposing they estimated the life of the block at say 20 years, in 20 years time you must earn sufficient salt from this area to be marketed and to wipe out the capital expenditure. Your plant must be in proportion to your production. Supposing we took 200,000 tons or 250,000 tons a year as your output, then you must have 5 million tons of salt. Can we assume that there is 5 million tons of salt?

Mr. Pitt.—Quite definitely.

President.—You say " after 20 years supposing there is no more salt we will close down. Our plant is now scrapped. But in the meanwhile we will have to produce this quantity ". Can you say you can produce 250,000 tons a year for about 20 years?

Mr. Pitt.—Yes, so far as my conviction goes.

President.—You have to take a certain amount of risk.

Mr. Pitt.—One can never definitely say that it is there. On the present evidence available, Government might very well be justified in assuming that 5 million tons of salt is there.

President.—Is that all workable salt?

Mr. Pitt.—Yes without touching the pillars. My own estimate is 4 million tons. That is salt that we could actually produce on the evidence which would be accepted by any geologist or mining engineer. We have to increase that estimate by only a million tons.

President.—We are examining the Geological Department very soon, but they have not the data to give any opinion.

Mr. Pitt.—They have got to put a special man on the work.

President.—On the data that you can give them, would they be able to tell us anything?

Mr. Pitt.—They may.

President.—We do not know whether they will.

Mr. Pitt.—He would be a very pessimistic geologist who would not say that.

President.—Will Mr. Gee give it?

Mr. Pitt.—I think he would quite happily give it. He will not give it, because he has no authority, if you ask him for an immediate opinion. But if you were to wire the Director and ask for it, he might.

President.—We are asking the Director. In that case we will consult Mr. Gee. Supposing this salt can be manufactured and then we see that it is feasible to market it within a certain area, can we depend on that quantity being produced for a period of 20 years or whatever the period is.

Mr. Pitt.—You can be quite certain about that. The salt actually developed or in sight is altogether 5 million tons.

President.—From the evidence that you have got so far on your present working you are able to say that there is at least 4 million tons.

Mr. Pitt.—Yes on the evidence of actual working.

President.—That does not refer to the unworked part.

Mr. Pitt.—Then we have a large area which has not yet been touched. That probably contains another 4 million tons.

President.—Will the geologist say ' I have seen your workings. I am able to say that there is 4 million tons in this seam of salt '.

Mr. Pitt.—The geologist will find the limits of the salt seam itself whether it is one, two or three miles long. He also will watch the variations in thickness and that sort of thing and give you his opinion based on that evidence. Though we have not had the quantity of salt estimated, we have ascertained the limits of the seam.

President.—Has the Central Board of Revenue accepted this?

Mr. Hoyle.—No, I have not referred to them.

President.—Have you not been talking of increasing the output?

Mr. Hoyle.—Yes.

President.—In that connection has the Central Board of Revenue expressed any opinion as to the probable contents of the mine?

Mr. Hoyle.—No.

President.—If we took your very conservative estimate of 4 million tons, then the mine could be so equipped that when you had your 4 million tons—

whether you took it in 4 years or 14 years—this 4 million tons would enable you to scrap your machinery. You can work it off in 10 years time if you have the market, but the depreciation must be spread over 4 million tons.

Mr. Pitt.—You can be quite certain of that amount.

President.—Assuming that the life of the plant is 16 years and you get one fourth of a million tons a year, we will assume that there is a market for you for this 200,000 or one fourth of a million tons of salt a year. We will have to make an estimate. I think Mr. Hoyle has refused to answer the most important question, *viz.*, the estimate of future costs if your output is increased. That we consider to be the most important question from our point of view. You say 'I have no opinion to express' or some such thing.

Mr. Hoyle.—What is the question exactly?

President.—It is question No. 55. "If possible, furnish an estimate of the works cost for some future years on the assumption that (*a*) conditions are normal (*b*) an output is obtained equivalent to the full capacity of the plant." You say 'I have no remarks to offer'.

Mr. Hoyle.—I had not any data.

President.—Mr. Pitt would have told you that the costs were high because the mine was not working to its full capacity.

Mr. Hoyle.—I have replied that it is so in one of my answers to the previous questions. I said that costs were high, because we did not produce as much as we could.

President.—We will try to get that information.

Afternoon.

President.—Your production just now is 130,000 tons a year roughly.

Mr. Pitt.—Yes.

President.—What is the capacity of your plant supposing you work to your full production?

Mr. Pitt.—Without spending any more capital you mean.

President.—Yes.

Mr. Pitt.—160,000 tons to 180,000 tons. As things stand, our capacity for output would be limited by the physical capacity of the mining population.

President.—I am talking first of the plant. So far as your plant goes, your plant consists only of a railway track and compressed air cutters.

Mr. Pitt.—Yes.

President.—So that really speaking yours is not a mechanical mining at all.

Mr. Pitt.—No, all the actual excavations are done by hand.

President.—Nor is the whole transport done mechanically.

Mr. Pitt.—Quite so.

President.—The mine is worked by hand practically except this that you have a railway track, because from the cuttings to the line the transport is done by hand.

Mr. Pitt.—Yes. The output capacity of the steam locos. and the track (the rolling stock as it stands) would I think be about 160,000 to 180,000 tons; that is without spending any more money on engines or anything like that. I doubt whether the rolling stock can stand up to the work for long. We are considering the question of electrifying the transport.

President.—So far as your electric power is concerned, it is adequate.

Mr. Pitt.—Yes, at present.

President.—For how much?

Mr. Pitt.—You mean continuing our present system only.

President.—No, not necesarily. Would the power that you have suffice to haul 200,000 or 250,000 tons of salt a year and to cut it?

Mr. Pitt.—Yes, I think it would.

President.—Supposing you were able to mine the quantity of salt this plant would require to be worked to full capacity, what quantity would it be then? I mean have you got enough electricity to be used for mining as well as for transporting the salt.

Mr. Pitt.—Yes.

President.—How much?

Mr. Pitt.—You mean how much salt?

President.—Yes.

Mr. Pitt.—Assuming that we use entirely mehcanical appliances or that we retain a certain amount of hand labour for carrying, loading or things of that sort?

President.—Supposing you want to have mechanical appliances entirely, what additional equipment would you require for the mine?

Mr. Pitt.—We should need electrically driven cutters; we should need electrically driven shovels for loading; even if we should not require some electrically driven form of conveyor to bring the salt actually from the working place to the track.

President.—How much outlay does that mean?

Mr. Pitt.—I am not very well acquainted with prices. But I should say to mechanise the mine would cost about Rs. 1,50,000.

President.—That is for your present output of 130,000 tons or could you produce more if the mine were mechanised?

Mr. Pitt.—We could produce more.

President.—Supposing you had to increase your output to 250,000 tons, that would give you 120,000 tons in excess. For that purpose if you have mechanical appliances you must have them right through.

Mr. Pitt.—No, not at all. We can use mechanical appliances for excavation and get the loading done by hand. We can use mechanical loading and hand excavation or *vice versâ*.

President.—I am talking of doing everything mechanically. Would 250,000 tons a year be an economic unit for mechanical appliances?

Mr. Pitt.—Our present output is quite big enough as a unit.

President.—Both for excavation and transport of salt.

Mr. Pitt.—Yes. I have some figures in my office showing the American practice. If you like I can send you copies of them.

President.—But American practice will not do. I found it very misleading in other enquiries. Take the coal industry. There the working is more difficult than in salt.

Mr. Pitt.—Yes.

President.—Seams are deeper very often and the transport really is a question of expense—much more expensive than here. When you think that some of the better class collieries can get that coal and sell it at Rs. 4 a ton at pitsmouth after allowing for depreciation and a small royalty it ought to be possible for a salt mine properly equipped to do it at very much less.

Mr. Pitt.—How much a ton?

President.—Coal is sold at Rs. 4 a ton at the pitsmouth. The better class collieries do make a profit. The raising cost would be about a rupee a ton.

Mr. Pitt.—It is rather a big question to answer off hand.

President.—I agree.

Mr. Pitt.—I would let you have it later. We could have it examined but even after examination we could only give you an approximate estimate, because we have had no experience as to how labour would settle down to the type of machinery in this part of the world.

President.—It is a very simple machinery to handle.

Mr. Pitt.—It is relatively simple.

President.—There is nothing very intricate about it. The coal machinery is very simple.

Mr. Pitt.—It is difficult at the same time unless you have had experience.

President.—The labour that you have got in the Punjab is far more efficient than anything that could be got in other parts of India.

Mr. Hoyle.—Yes.

President.—We have experience of the Punjab labour in other provinces. It is far more efficient. As a matter of fact most of the semi-skilled labour comes from the Punjab even in those places.

Mr. Hoyle.—Yes, carpenters and so on.

President.—That is not a very important question.

Mr. Pitt.—No. As it stands at present we have spent Rs. 7 lakhs.

President.—That is all that you have done.

Mr. Pitt.—We have not really spent money at the other end, at the producing end.

President.—You are working 41 chambers.

Mr. Pitt.—Yes.

President.—No coal mine would work 41 chambers.

Mr. Pitt.—Quite so.

President.—They work one section and when that is finished, they go on to another. But here practically the whole thing is done by hand, except that you have compressed-air cutters.

Mr. Pitt.—The original development work and the transport is done by machinery and the rest by hand.

President.—Can you give me an estimate of the works cost? By works cost I mean cost incurred in the works excluding depreciation, interest on working capital, head office charges and profit.

Mr. Pitt.—You mean the running cost.

Mr. Hoyle.—Have we not supplied you with the cost of running our mine?

President.—To that you have added other charges.

Mr. Mathias.—That is as it is to-day. But the President is asking you what the cost would be if the mine was working to full capacity and was completely mechanised.

President.—As regards the cost sheet, yours is a bit different to ours. I think that we would rather like our method. Under raw materials you have nothing at all here. Then comes works labour. It would include all kinds of labour that you use in the mine itself including transport labour.

Mr. Pitt.—Yes.

President.—You have given here Rs. 3,36,000 for 1928-29.

Mr. Mathias.—Will there be no reduction per unit if you increase the output?

Mr. Pitt.—We might increase the wages. The increase in the output would lower the cost per unit produced so far as daily men and workshop men are concerned.

Mr. Mathias.—That is all included in the works labour.

Mr. Pitt.—Yes.

President.—How much do you pay to the miners out of this? Can you give us separate figures?

Mr. Pitt.—We are now paying at the rate of Rs. 8-7-0 per 100 maunds and Rs. 3-6-0 for 40 maunds.

President.—Your actual production was 30,73,818?

Mr. Pitt.—Yes for 1928-29.

President.—It is given here as 30,56,000.

Mr. Pitt.—That is wrong.

President.—How much per maund does your cost of labour come to?

Mr. Pitt.—As. 1-4 pies.

President.—The rest of the labour is transport labour.

Mr. Pitt.—Yes.

President.—In this mining labour you include transport labour up to the track.

Mr. Pitt.—Yes.

President.—Is it included at this end?

Mr. Pitt.—You remember the incline working yesterday where we turned back.

President.—Yes.

Mr. Pitt.—There is a certain amount of handling. There are two of these inclines working. Then there is unloading work at the depot. There is also loading of wagons at the depot.

Mr. Mathias.—Is workshop labour included in that?

Mr. Pitt.—Yes, power house, electrical and mechanical staff.

President.—If you pay one anna seven pies per maund for the mining your total charge is one anna nine pies.

Mr. Pitt.—Yes.

President.—Does this 2 pies cover all the other charges?

Mr. Pitt.—Yes.

President.—So that if you don't have mechanical appliances, there would be really no scope for reduction in your labour charges.

Mr. Pitt.—Very little.

President.—If we had mechanical appliances?

Mr. Pitt.—My own opinion is that we could reduce our charges, that is our cost of production.

President.—No colliery pays one anna 9 pies per maund. That comes to Rs. 2-14-9 per ton.

Mr. Mathias.—If you mechanise your mine, the salt would be brought very much quicker; the same number of men could bring more salt from there.

Mr. Pitt.—That is to be expected.

Mr. Mathias.—You would hardly pay the same rate as you are paying now.

Mr. Pitt.—That is true.

Mr. Mathias.—In that way there should be a reduction in labour.

Mr. Pitt.—There would be.

President.—In your case it comes to nearly Rs. 3 a ton. We have examined the accounts of most of the collieries and we don't find that the labour alone is anything like that. They cannot afford to pay Rs. 3 a ton.

Mr. Pitt.—The wages are very high in my opinion.

President.—I do not think the wages are very high.

Mr. Pitt.—Actually from what I have seen of the work underground I think that the rate we pay per physical unit of labour is high.

Mr. Mathias.—You mean in proportion to the work done the rate of wages is high.

Mr. Pitt.—Yes.

President.—If you had mechanical mining, by how much would this be reduced?

Mr. Pitt.—It is a question that could only be answered after experiments.

President.—If you don't bring your cost very much below As. 5-3 the chances of your getting into the Calcutta market are very small considering that the crushing cost is not given. Unless you are able to show at any rate at the works that you can produce salt at about the same price as these other people do, the proposition is not a good one.

Mr. Pitt.—No.

President.—Now I wish to know by what means you can do or whether you can do it at all. You see what it comes to is this. Excluding this item No. 7 for the time being, your works cost is As. 3-6. Of course the other items are comparatively small compared to this labour charge.

Mr. Pitt.—Yes.

President.—I want you to give me an estimate as to what your works cost would be supposing you had mechanical mining and your output was 250,000 tons.

Mr. Pitt.—As a rough estimate we can probably reduce that figure by 50 per cent.

President.—You mean this works labour.

Mr. Pitt.—Yes.

President.—Can you work out an estimate and let me have it in a few days?

Mr. Pitt.—Not a reliable estimate until we have had experience. I am not a man who has had sufficient experience in this respect to be able to say what the effect would be if the mine were completely mechanised. From the figures I have gone into of the various schemes it would appear that it is possible to reduce the works labour to at least half on our present output.

President.—On your present output?

Mr. Pitt.—Yes, so that after we have reduced by half, it would be difficult to effect a further reduction by doubling the output such as you suggest. It is not fair to expect it. I have got figures of American and Canadian plants where they are using intensive methods of machine mining, but it is not at all fair to compare with those figures.

President.—That would be very misleading.

Mr. Pitt.—They pay their labour much more than we do, and their labour also is much more efficient than ours. I am not quite certain that these two factors cancel out each other. We have no data on which we could base any reliable estimates.

President.—Even supposing we were satisfied that this salt could be produced here, if we were not satisfied that the costs would be such as to make it an economic proposition, what recommendation could we make? After you have asked the railways to reduce the freight and also after you have proved that the salt can be produced, if you are not able to show at what price you are going to put it on the market, what is the use?

Mr. Pitt.—I am always in the dark as to how this figure of 5 annas is worked out. It seems to me almost impossible to know how it is done. With our works costs as they are for the last three years, the highest figure is 3 annas a maund and the lowest is 2 annas 6 pies. Where the rest comes from I do not know. It seems that we are paying an enormous amount of depreciation.

President.—I do not know what you have put under miscellaneous. What are these miscellaneous charges, Mr. Hoyle?

Mr. Hoyle.—I am afraid at the moment I do not know.

President.—What are these general services?

Mr. Hoyle.—That is for staff. I am talking of form I.

President.—We don't know how these items are made up. Rs. 2,25,000, what is that?

Mr. Hoyle.—It seems rather large. That is the local staff, I think.

President.—Let us go through your form for the present, but I hope you will be able to give us the figures in the form in which we want later. The manufacturing charges are given as Rs. 6,68,128. What do they consist of?

Mr. Pitt.—It is all manufacturing charges.

Mr. Hoyle.—Including the pay of the miners, power and fuel and practically everything. It also includes such things as transport.

President.—It is very difficult for us to see. Is this a summary of Appendix No. I?

Mr. Hoyle.—No. XIII of the last year's report.

President.—We must put this in order. What we want to do is to stick to our form. Split up the works labour into different headings, mining labour, transport labour or whatever it is.

Mr. Pitt.—I cannot do that immediately, but I can do it for you later.

President.—Give me so much of the costs as you are responsible for, Mr. Pitt. You say that these costs are made up by somebody else.

Mr. Pitt.—Yes. May I ask what is it that you really want?

President.—We want to know what your costs are.

Mr. Pitt.—Yes. I see.

President.—If you think that it would be simpler to take your form, we would do so.

Mr. Pitt.—This form was specially prepared for you. Then we have a detailed cost sheet. I don't know whether we have sent that on to you.

President.—Who prepared this?

Mr. Hoyle.—It was prepared by a clerk in my office.

President.—Where is he?

Mr. Hoyle.—He is in Delhi.

President.—We must examine the man whoever he is about these figures.

Mr. Hoyle.—We have got a branch in my office which deals with it.

President.—Who is the man in charge?

Mr. Hoyle.—The Head Clerk of the Branch.

President.—How does he do it?

Mr. Hoyle.—He does it from the figures supplied by the various sources.

President.—We must get correct figures. Your Head Clerk must come and explain how they are made up.

Mr. Hoyle.—Yes.

President.—Will you give me your actual working costs?

Mr. Pitt.—Yes.

President.—I want to know your actual working costs as you have them. I don't care how they are made up afterwards.

Mr. Pitt.—These figures I have here are very reasonable (handed in).

President.—This is what we wanted. What is the capacity of your power plant in units?

Mr. Pitt.—700 k.w.

President.—What is the capacity of the plant?

Mr. Pitt.—We could produce 16,800 k.w. a day.

President.—How much are you actually using?

Mr. Pitt.—Between 3,000 and 4,000 units.

President.—What about the medical and other charges? Are they added by the Audit Office or have you got them separate? So far as we are concerned, they are part of the working costs. Head Quarters Office charges, you have not put in.

Mr. Pitt.—No.

President.—Royalty and compensation?

Mr. Pitt.—No.

President.—Medical charges, you have put in.

Mr. Pitt.—Yes.

President.—Expenditure on stores has gone under general repairs.

Mr. Pitt.—It is included.

President.—What about pension charges?

Mr. Pitt.—Not included.

President.—What about leave salary paid in England?

Mr. Pitt.—Not included.

President.—Interest on capital, depreciation charges, cost of establishment for accounts and auditing, have you included all these.

Mr. Pitt.—No.

President.—The cost of stationery and printing?

Mr. Pitt.—It is included.

Mr. Hoyle.—You cannot fix a fair selling price without taking all factors into consideration.

President.—We propose to get the works cost, and get all the incidental charges such as Head Office charges, interest on working capital in order to arrive at the fair selling price.

What about weighment charges? Have you included them?

Mr. Pitt.—No.

Mr. Mathias.—What are weighment charges?

Mr. Hoyle.—It means loading into wagons.

President.—Where do these charges go in?

Mr. Pitt.—Not included.

President.—We want to get the costs, f.o.r. Why do you call 'weighment'?

Mr. Hoyle.—It is just to distinguish from manufacture.

Mr. Pitt.—We always have had separate departments or separate sections in charge of manufacture and despatch. They have been under separate officers. I have a separate officer under me who looks after the mine and another officer under me who looks after the actual despatches. Consequently we have the manufacturing charges debitable to the cost of production and weighment charges debitable to despatch.

Mr. Mathias.—They have weighment charges, loading and unloading charges.

Mr. Pitt.—These weighment charges are not included. You want costs f.o.r. Khewra?

Mr. Mathias.—First we get the works cost. Then we get the transport charges from the works to the railhead or ship.

Mr. Pitt.—I am not at all certain whether they are included.

President.—You must verify them. So far as you are concerned, you put it on the track and you have got nothing more to do with it.

Mr. Pitt.—That is so.

President.—We generally add them to the works cost. First we get the works cost and then add the cost of transport from the works to the railway siding.

Mr. Pitt.—These figures represent our actual cost of production.

President.—Your block value is given where?

Mr. Pitt.—It is given as against question 43.

President.—First of all how is this determined? Is it a book value or valuation?

Mr. Pitt.—It is a valuation.

President.—Of what?

Mr. Pitt.—Of all the assets in the property.

President.—Is that from the beginning? They must have gone on building the mine works, bungalows, tracks and so on.

Mr. Pitt.—So far as I know this is not handled by the Divisional Office. We have had a complete change of accounting in 1924. At that time we had orders to value everything we had. The orders were not very clear about the class of valuation—selling value or the replacement value.

President.—They took perhaps the present day value.

Mr. Pitt.—Yes. We put values on the bungalows for instance which cost possibly Rs. 2,000 or 3,000 to build in 1860 or 1870. We put a value of about Rs. 10,000 on these.

President.—That might be a replacement value.

Mr. Pitt.—Yes.

Mr. Mathias.—In 1924.

Mr. Pitt.—Yes.

Mr. Mathias.—And not now.

Mr. Pitt.—It might be more expensive now.

President.—What I want to know is you had to value serviceable and unserviceable articles.

Mr. Pitt.—Yes.

President.—You have got a big tunnel there. That part of the mine is worked out.

Mr. Pitt.—Yes.

President.—What is the good of putting that in your earning assest when it is a dead asset on which you cannot earn anything. When you valued it in 1924, certain parts of mine had not worked out and some of the works must have remained.

Mr. Pitt.—Yes.

President.—I take it you valued whatever remained. Though it is not serviceable and you don't require, it is all worked into your capital account.

Mr. Pitt.—That is so.

Mr. Mathias.—Why should it not have been written off against depreciation? When the asset is useless, it should be covered by depreciation.

Mr. Pitt.—The Audit Officer was not at all good at explaining what he wanted.

President.—Who was this Audit Officer?

Mr. Pitt.—Mr. P. N. Mukerji.

President.—We are not concerned with his ideas.

Mr. Pitt.—His ideas have affected this particular point.

President.—We want to know how you arrived at Rs. 24 lakhs.

Mr. Pitt.—Every asset was written in a book and given its replacement value as nearly as we could.

Mr. Mathias.—Including the tunnel which is no longer in use.

Mr. Pitt.—I think so, at least the masonry part of it. We did not give the mine any value.

President.—If you were not working that part of the mine in 1924, what is the good of calling it your property? I saw two vertical boilers which were not in use.

Mr. Pitt.—Yes. The book value is Rs. 10,000.

President.—You put it down as Rs. 10,000.

Mr. Pitt.—They were purchased in 1918 and we gave these very nearly their purchase value.

President.—What is the point of it when you are not using them?

Mr. Pitt.—It is audit.

President.—It is no use getting the replacement value at all. That means that they have got a depreciation fund from which to replace it. They haven't got any depreciation fund.

Mr. Pitt.—We have a depreciation fund.

President.—That is since 1924.

Mr. Pitt.—Yes.

President.—Previous to that there was no depreciation.

Mr. Pitt.—No.

President.—You have got to take them at their actual value.

Mr. Hoyle.—That was how we took them.

Mr. Mathias.—What you have done is this. You are allowing for depreciation on a property which should never have been included.

Mr. Pitt.—It appears to be so.

President.—Rs. 3,78,000 for buildings. What are these buildings?

Mr. Pitt.—Bungalows, offices, clerks' quarters, peons' quarters, power house buildings, etc.

President.—What would be the cost of the plant which would not replace this at all, but would produce 120,000 tons? We don't want this plant which has to be scrapped. The depreciation that you have got to charge is on a plant that would, if properly equipped, give you a production of say, 130,000 tons. It would be hypothetical in this case, because your plant is very different. Then you would carry forward to a depreciation fund an amount which at the end of 16 or 20 years would enable you to replace the plant. That is what we want and not this. I want to know what is the cost of such a plant. Supposing you were relaying the plant, what ought to be the cost of a plant that would give you 120,000 to 150,000 tons. The present plant might have cost you Rs. 50 lakhs, but I am not going to allow you depreciation on Rs. 50 lakhs, but I will allow you depreciation on Rs. 15 lakhs.

Mr. Pitt.—I see the point.

President.—Can you give me that?

Mr. Pitt.—I can only give you an approximate estimate.

President.—That is quite true. We have to assume that the values continue whilst you are depreciating.

Mr. Pitt.—This big list includes many things.

President.—First of all can you give me a list of these things which you have included and for which you have had no use.

Mr. Pitt.—I can, but not immediately.

President.—Give us those things which are not earning assets at all.

Mr. Pitt.—Yes.

President.—Give us an approximate cost of the replacement value of the plant. What you have got to have by you is this: in so many years' time you want to renew your plant. That is what you have got to set aside for your depreciation on this plant.

Mr. Pitt.—Assuming that our output continues steadily.

President.—Yes. This plant may have cost you Rs. 25 lakhs according to your books, but with Rs. 15 lakhs you can get the same equipment now. Therefore what you have got to depreciate on is not Rs. 25 lakhs but Rs. 15 lakhs. Your block amounts to Rs. 24 lakhs. How much do you set aside for depreciation every year.

Mr. Hoyle.—Rs. 1,50,000.

President.—That depreciation would be all right if the block was worth Rs. 24 lakhs; we should not quarrel with that then because we generally give 6¼ per cent. That roughly corresponds to your figure. The whole point is whether you ought to depreciate on Rs. 24 lakhs. Supposing you have a motor car. It does a certain amount of work. It may have cost you Rs. 10,000. If you can get the same kind of motor car at Rs. 2,000 now, you don't depreciate on Rs. 10,000, but on Rs. 2,000. If you can get the same output as you are getting now from a factory costing Rs. 15 lakhs, you have to depreciate on Rs. 15 lakhs even if you had paid Rs. 1 crore for the present plant.

Mr. Pitt.—We gave you the replacement value.

President.—You shouldn't do that. We did not want exactly the replacement value of the present plant. You first of all deduct the dead assets. Having got the earning asset, you will say "If I am to construct the same sort of works, that is, to get 130,000 tons, I will have to spend so much". If we are satisfied that your figure is correct, we don't care what the audit office does. As regards interest, what is the rate of interest charged?

Mr. Hoyle.—5·43 per cent.

President.—That is the general rate of interest at which Government borrows.

Mr. Hoyle.—Yes, we consulted the Audit office and they gave us this figure.

President.—It really comes to 5½ per cent.

Mr. Pitt.—Yes.

President.—Take your transport system for instance. You have got three locomotives which are very old. Did you take the replacement value?

Mr. Pitt.—Yes.

President.—What purpose did it serve?

Mr. Pitt.—When we were more or less told to assess the value of the assets, we were not told how to do it.

President.—Here you say this plant is worth Rs. 40 lakhs. To renew this it is going to cost Rs. 15 lakhs. They could have depreciated it on Rs. 15 lakhs, but not on the plant as it stood. I hope you will be able to onlighten us on this subject.

Mr. Pitt.—I shall go into it very carefully.

President.—The main items affected would be these.

Mr. Pitt.—I am very doubtful as to what I should do in a case like this. For instance we spent something like Rs. 3 lakhs on a scheme for keeping the water out of the mine. A lot of that work is labour. We have got this asset written down. We spent three lakhs, on it.

Mr. Mathias.—Was that charged against salt?

Mr. Hoyle.—It goes into the capital account.

President.—Was it a permanent work?

Mr. Pitt.—Yes.

President.—That is a capital charge.

Mr. Mathias.—Unless it has been charged to the revenue account.

Mr. Pitt.—It is a capital charge.

President.—Supposing you had a retaining wall, it would form part of the capital expenditure if the site was still in use.

Mr. Pitt.—Yes. In this particular instance we made a drainage gallery. We made it at one level and next year we dug it all out and put it differently. The total cost came to Rs. 3 lakhs. Since we have done the work twice over as it were, the value of that to Government, in my opinion is not Rs. 3 lakhs.

President.—When was this done?

Mr. Pitt.—2 or 3 years ago. In that case our capital account had to carry this additional Rs. 3 lakhs when we should only be carrying half that amount, because we did that work twice over.

President.—Why did you do it twice over?

Mr. Pitt.—In the first year we could not go as deep as we should. We left it like that for a year. Then we decided that it should be deeper and so we dug it up and did it over again. The point in this connection is that to replace that gallery, if it crashed, would only cost approximately half of what it cost us. Should our capital account carry Rs. 3 lakhs or Rs. 1½ lakhs?

President.—I am not prepared to express any opinion on that. You might mention the things which you think ought to be left out.

Mr. Mathias.—Write a short note on these things.

Mr. Pitt.—Yes.

Mr. Mathias.—This 5·43 per cent. which is the Government rate of interest, on what is that charged in your account?

Mr. Pitt.—It is charged on plant, machinery and buildings.

Mr. Mathias.—Also on the value of stores I take it.

Mr. Pitt.—It is charged on stores too if I am not mistaken. It is charged on practically all the assets.

Mr. Mathias.—Is it charged on stocks of salt?

Mr. Pitt.—I don't think so.

Mr. Mathias.—It does come in as your floating asset.

Mr. Pitt.—Yes.

Mr. Mathias.—You will charge 5 per cent. on your block account which would correspond to the capital account. On your working capital which is generally represented by your floating capital, that is the amount of money which you would have locked up in assets, you would normally be entitled to charge interest.

Mr. Pitt.—No.

Mr. Mathias.—You should be.

President.—On your stores and on your normal stocks, interest would be chargeable, because it locks up money.

Mr. Pitt.—Yes, it is true. I shall just look into it. I am not sure whether it is charged on salt or not. We are generally kept in the dark.

President.—The party that is generally responsible for the loss is not responsible for the framing of accounts. How can you fix the responsibility on anybody?

Mr. Pitt.—We do keep cost accounts in our office.

President.—You do keep cost accounts in your office, but some other office says, " this is what you have incurred ".

Mr. Pitt.—That is true. We are subject to correction by the audit. It is not a very satisfactory arrangement. It largely depended upon the audit staff, who did not keep us up to date.

Mr. Mathias.—It must be extraordinarily difficult for you to determine on what principles you are going to work unless you know what interest is charged.

Mr. Pitt.—From the point of view of the man who has to run the job, the present system is not satisfactory. It is not that we object to scrutiny and that sort of thing. But we cannot determine what stock we should carry and we do not know often what is required of us. I have been often told that I am keeping big stores because I purchase in bulk. As you know it is more economical to purchase in bulk. Until there is much closer co-operation than there is at present between the accounts and ourselves, it is not going to be a satisfactory arrangement.

President.—Would it not be better if instead of this system of accounting the General Manager here is told "you have to tell us what the fair selling price is". He is told also what he ought to include in his works cost. He is told to add such and such percentage for depreciation and so much for interest on capital. Then Government know that the total comes to As. 5 a maund and then if the Government don't want the General Manager to have anything to do with selling, it can do what it likes. That would make the concern more responsible than it is now.

Mr. Mathias.—As in the case of the Public Works Department you have an Audit Officer attached to your works.

Mr. Pitt.—The Audit Officer has his Assistant in Khewra.

President.—That is to see whether the money is properly spent. That is the business of the audit. Whether the money ought to be spent or not, is not the business of the audit.

Mr. Pitt.—I entirely agree.

President.—If the Works Manager says "I have got to spend the money", it is not for the audit office to say whether he should or should not spend, but if he spends it, then it is for the audit office to see whether he has spent it or not. That is what a business man would do.

Mr. Pitt.—These views we share entirely.

President.—Really speaking all these other charges are marketing charges. If Government want to do the marketing, they may say "we are in charge of the head office, we will spend whatever we like on it". That would be fair to the works manager, because he is not saddled with other expenditure which is incurred in your office in Delhi or Simla. He hasn't got to do anything with it. Take the Head Office of a big firm. What does it do? It gets the works cost and adds depreciation and other charges and markets the thing. Afterwards it finds out whether it has lost or gained, but here this is not the case. Whether the Head Office charges or the Audit Office charges and various other charges are fair charges or not is a question we shall have to consider. If we don't find them fair, we shall say so.

Mr. Hoyle.—This is a question of what can be charged against the price of salt and what charged against the general revenues.

President.—Our view is that the marketing organisation ought to be entirely separate.

Mr. Hoyle.—Yes.

President.—For instance if the Commissioner comes here and really supervises the work, to that extent the works have to bear a proportion. If the Commissioner does other work besides, it would be difficult to allocate.

Mr. Hoyle.—It is extremely difficult.

President.—They have to take the whole of the Salt Department. The trouble is that each individual work is treated separately for all purposes. It is all right to treat it for costing purposes separately, that is to say, cost

up to the works. But the supervision charges should be borne by the whole department.

Mr. Hoyle.—Of course they are.

President.—You allocate them on an arbitrary footing. What means have you got of ascertaining what is the share of Khewra and what is the share of Sambhar. You may give all your time to Sambhar and nothing to Khewra.

Mr. Hoyle.—We don't do that.

Mr. Mathias.—How do you arrange?

Mr. Hoyle.—I don't remember at the moment. It is all done by the audit office. But I think it is proportionate to the revenue from the different salt sources.

Mr. Mathias.—According to what each factory can bear.

Mr. Hoyle.—Yes. I think it is charged *pro rata*.

President.—*Pro rata* on production.

Mr. Hoyle.—Production or sales, I don't know. It is one or the other. The sales and production are more or less correlated.

Mr. Mathias.—What is the cost of your Central Office? I mean the Commissioner's office.

Mr. Hoyle.—The audit is Rs. 62,000.

President.—It comes to Rs. 1,14,000.

Mr. Hoyle.—I am not quite sure at the moment.

President.—Sambhar's share is given as Rs. 41,000 and Khewra's Rs. 47,000. That seems to me to be absurd.

Mr Hoyle.—They go by the Division, I think. The division is the unit.

President.—On any footing that you may like to take.

Mr. Mathias.—The share of Sambhar must be much bigger.

Mr. Hoyle.—I agree.

President.—As far as one can see it seems entirely artificial. The audit may have good reason for it. But it is very difficult to see what it is. Can it be in proportion to the cost of manufacture?

Mr. Mathias.—Will your man from Delhi be able to tell us that?

Mr. Hoyle.—Yes.

President.—Would it not be simpler to treat the whole concern as one? The Commissioner is not supposed to have any special favourites, nor is he supposed to render any special service to any one.

Mr. Hoyle.—No.

President.—This is merely for discussion. I want your view on it. The total cost of your office is Rs. 1,20,000 and the audit is Rs. 55,000, say, nearly Rs. 2 lakhs. It is impossible for any one to say how much each place really costs. It may be that you have two auditors working here, but when it comes to the question of the Auditor-General and Accountant-General, it is impossible to allocate. Therefore is it not simpler to treat it like this: this is one concern. One company runs these six branches. Our total costs under these two headings are Rs. 2 lakhs and we sell 20 lakhs of maunds and therefore it is so much per maund for all. Would not that be more simpler and more equitable than this artificial allocation. After all it is looked at as one concern. Khewra must bear its share in proportion to its sales or production. Of course production is much better than sales, because you have different stocks and so on.

Mr. Hoyle.—I would not like to give you an absolutely definite reply in the absence of further information. I must say it is a point which had not been specially brought to my notice before. Certainly there is something which wants explaining and I should like a little more information.

President.—I am not expressing any opinion whatever. I am only saying what strikes me at first sight. Here is Khewra's production which is 100,000 tons and Sambhar's 200,000 tons or more

Mr. Hoyle.—Yes.

President.—And Khewra is debited with a much larger sum under these two heads than Sambhar. The accounts of 1927-28 show the same thing.

Mr. Hoyle.—There Kohat is also debited.

President.—That is a very small thing.

Mr. Hoyle.—Yes, then there is also the internal branch which is entirely preventive.

President.—Does any of your preventive establishment go in here?

Mr. Hoyle.—It is debited separately.

President.—That is a charge which you can separately assess.

Mr. Hoyle.—Yes.

President.—But it is not done.

Mr. Hoyle.—The explanation may be found in the fact that there is the preventive establishment here, that is taken into account. The preventive staff is very considerably larger than it is in Rajputana and I think it is possible that it is taken into account in debiting a larger amount to Khewra.

President.—That is for revenue purpose.

Mr. Hoyle.—I am talking of the lump sum for the Head Office. Rightly or wrongly it is taken in. Take the salt Range share of the Commissioner's Head Office. It is rather difficult to say how much of it is really debitable to looking after Khewra and how much to preventive staff.

Mr. Mathias.—Is this Rs. 1,14,000 the total charge of your office?

Mr. Hoyle.—No.

Mr. Mathias.—What is the total?

Mr. Hoyle.—It is about Rs. 2 lakhs (including audit).

President.—The preventive establishment is shown separately in Khewra in the Administration Report. It seems that is separate.

Mr. Hoyle.—It is not shown in the cost sheet.

President.—Rs. 71,000 is the charge shown in this long statement.

Mr. Hoyle.—That represents, I think, the actual pay of the preventive staff. That is probably taken into account in assessing the proportion which Khewra should bear. I merely say that that is a possibility, but I should prefer to refer to the standing orders on the subject. I could get at the orders and see on what principles they are based if you would like to have them.

NORTHERN INDIA SALT REVENUE DEPARTMENT,

Continued on 4th December, 1929.

President. As regards the issue price, in this statement your cost is stated to be As. 5-2·36 and your selling price as As. 3-5·9 pies. That I understand has since been raised.

Mr. Hoyle.—Yes.

President.—Up to that time it was like that.

Mr. Hoyle.—Yes, for 1928-29.

President.—There is a loss on those figures about As. 1-9 per maund. You had better get these figures corrected. They will be printed and are liable to public scrutiny.

Mr. Hoyle.—Yes.

President.—On what basis was that price fixed? Who fixed it?

Mr. Hoyle.—It was fixed by Government.

President.—On what basis?

Mr. Hoyle—I told you yesterday that in refixing it this year they attempted to raise it so as to equal as far as possible the cost of production without enhancing it too severely in one stage.

President.—What is the point? When the Government charge a duty of Rs. 1-4-0 why are they very particular about an anna or half an anna.

Mr. Hoyle.—The duty is Central Revenue whereas our issue price is departmental.

President.—The biggest factor in the price is the duty and the next biggest factor is transport. The cost of salt is the least and the smallest factor. Why does Government pay more heed to the smallest factor.

Mr. Hoyle.—I can tell you much more accurately when I get that note which I was referring to yesterday.

President.—It runs right through the Government policy.

Mr. Hoyle.—I would not like to commit Government to an opinion without being absolutely sure of my facts.

President.—It is obviously a thing which needs some explanation. I want to ask you about indents. I hope you are going to let me have an advance copy of your report for 1928-29.

Mr. Hoyle.—I have sent for it.

President.—Let me understand the procedure. There are two kinds of transactions.

Mr. Hoyle.—Yes, cash and credit.

President.—Let us deal with credit first. The trader has got a sort of credit account with the Government.

Mr. Hoyle.—Yes, a credit account with the Government. He deposits securities with Government and he is allowed credit up to the face value, less 6 per cent. of the securities for depreciation.

President.—It cannot be the face value.

Mr. Hoyle.—No, it is the market value.

President.—Does he give the guarantee of a bank?

Mr. Hoyle.—He must deposit his security every time. Very often it is through a bank. In the case of almost every big man he always does it through a bank.

President.—He arranges for an overdraft with a bank.

Mr. Hoyle.—That is what it comes to. It is the bank which applies for credit.

President.—Therefore what it comes to is this: the bank has got to stand security for the man.

Mr. Hoyle.—It comes to that.

President.—Either the bank makes this money or the man who owns the Government securities and does the business. In any case Government lose six months' interest, on every transaction done on credit.

Mr. Hoyle.—Yes.

President.—How many people have you got on the credit system for Khewra, for instance?

Mr. Pitt.—Speaking from memory between 30 and 40.

President.—Some of them would be very big ones.

Mr. Pitt.—Yes, three or four of these. We are preparing a list of these persons which you asked for.

President.—These three or four would do business between 30 and 40 per cent.

Mr. Pitt.—Yes.

President.—Therefore the market is controlled very largely by these people.

Mr. Pitt.—Yes, to some extent.

President.—You are told that such and such a man has got so much credit. Is that so?

Mr. Hoyle.—He is informed by my office.

President.—When you get the securities or the bank's letter of guarantee.

Mr. Hoyle.—We actually get the securities.

President.—And you collect the interest.

Mr. Hoyle.—We deposit the securities in the Imperial Bank of India in Delhi, we collect the interest for them and credit it to their account.

President.—When you deal with the bank they also deposit.

Mr. Hoyle.—Yes, every time. Let us take the Jaipur branch of the Imperial Bank. They indent on Sambhar. They send us securities and we deposit them with the Imperial Bank of India at Delhi.

President.—The Imperial Bank of India is your banker.

Mr. Hoyle.—Yes.

President.—What is the good of this round about way of doing business? What is the point of it?

Mr. Hoyle.—It is much the safest form of guarantee that you can get.

President.—Eventually it resolves simply to this that the Imperial Bank of India itself is the guarantor.

Mr. Hoyle.—Yes, in the case of the Imperial Bank of India's transactions

President.—In the case of the other banks, I take it that it will be the same.

Mr. Hoyle.—Yes.

Mr. Mathias.—Are there any cases in which the dealer purchases Government stocks and deposit them himself?

Mr. Hoyle.—They almost always do business through the bank, especially men like Diwan Chand.

President.—It is only a case of 30 or 40 men. Please let us have the whole list.

Mr. Pitt.—Yes.

Mr. Hoyle.—Yesterday as regards Khewra you asked for the first 12. In the case of Sambhar there are many more.

President.—I want the total list of credit holders; the total indents put in by each in a year; actual withdrawals.

Mr. Pitt.—The figures which would interest you are the maximum and minimum figures of their credit.

President.—Yes, the indents of a credit holder, his actual withdrawals against the indents, indents placed during the year, etc. I want it for the last half of 1927-28; then again from April until the end of the indenting period.

Mr. Pitt.—Yes.

President.—Mr. Hoyle, you can also give me similar information as regards Sambhar.

Mr. Hoyle.—Yes.

President.—I want you to give a confidential note as to what attempts Diwan Chand made to corner the market.

Mr. Pitt.—Yes.

President.—He is one of the biggest wholesalers.

Mr. Pitt.—Yes.

Mr. Mathias.—Does Sir Hukum Chand of Indore do any business in salt?

Mr. Pitt.—Nothing whatever.

President.—I want to be quite clear on this point. When a big purchaser indents, he simply indents for so many wagons.

Mr. Hoyle.—Yes.

President.—And susequently he asks you to send those wagons wherever he wants.

Mr. Hoyle.—He gives the destination in the original indent, but of course he is allowed to change the destination.

President.—His idea is obvious. He doesn't want anybody to know where he is going to send. He may want to mislead his competitors.

Mr. Pitt.—It is admittedly a false declaration that is made on the indent form. I have heard the traders themselves admitting to me that their wagons were meant to go to certain other stations than those mentioned in the indents. The whole trade does it continuously, and we also know it.

President.—First of all he doesn't want the Government to know more than is absolutely necessary and secondly, he doesn't want his competitor to know what he is going to do. He knows what the quantity of salt is in each market and therefore he knows what price he would get.

Mr. Pitt.—Yes.

Mr. Hoyle.—Would you like also to know how much cash indenting is done?

President.—By the same people?

Mr. Hoyle.—Yes.

Mr. Mathias.—Do you give preference to cash orders?

Mr. Hoyle.—Yes, to a limited extent we did this year. It was a temporary expedient.

Mr. Mathias.—Would it not be sound business from the Government point of view to give preference to cash orders? After all they would be getting cash down.

Mr. Hoyle.—It might be. The credit system is going to be revised. The whole thing is in the melting pot. When our Sambhar indents are cleared, I think, this matter will be taken up. This preference was adopted only this year, and I think priority was given up to 20 per cent. of the issues to cash indenters.

President.—The cash fellow is ordinarily a small indentor.

Mr. Hoyle.—Yes.

President.—Will the other man get 20 per cent. and get the advantage?

Mr. Hoyle.—Yes, Diwan Chand himself did it.

President.—He would put up half a dozen fellows to put up cash securities and thus get 100 per cent.

Mr. Hoyle.—The credit system has not worked very satisfactorily.

President.—In the Administration Report it is stated that the credit system has been described as most successful and people like it very much.

Mr. Hoyle.—We say it is popular.

President.—It is stated that it is gaining popularity, that people are finding it useful and the rest of it. I am not referring only to your reports. In Bengal particularly emphasis is laid on that and they say that the percentage is ever increasing which is a very satisfactory feature. Now then these credit people would send you some day instructions as to where these wagons are to go and then he will arrange the freight.

Mr. Pitt.—We are not concerned with freights.

President.—That is where it comes in. Very often freights are obtained from Railway Administrations. I don't wish to go into details. It is a fact that certain people will get freight more easily than others. It is no good trying to get away from these facts. Railways have done their best to stop it. They have not stopped the system by which some people are able to get freights more regularly than others and I take it that the bigger people relatively find less difficulty in obtaining their freights than the smaller people do who have to depend on you.

Mr. Hoyle.—As regards the ordinary clearances we see that the wagons have been loaded and they get away promptly.

President.—It is a question of who gets first into the market. Obviously it will be the man who does business on a large scale. He will do it much more quickly than the smaller man.

Mr. Hoyle.—The railways would object.

President.—They might object as much as they can. Railways have done their best to stop this, but have not succeeded. I can get you any amount of freight, but you won't be able to get it.

Mr. Hoyle.—Loaded wagons we should find it very difficult to keep here or at Sambhar.

President.—I don't know what the system is. Sambhar can supply 100 wagons on a particular day. I want 50 wagons of these and I can arrange to get 50 wagons. It is possible and it is done, whereas a small man who wants two or three wagons is left out. Here at Khewra it wouldn't happen, because it is much too small.

Mr. Pitt.—Even in Khewra we are clearing 40 or 50 wagons. The small man gets his wagons exactly as the big man. But the big man may get the railway people at Malakwal to delay the wagons of the small man. So far as our own despatches are concerned, priority is rigidly observed.

President.—How do you determine the priority?

Mr. Hoyle.—According to the date on which the indent is received in the General Manager's Office.

President.—That is the thing. A man says "I will now buy 600 wagons on the 1st of January of each year". First of all he gets priority. Then he makes use of the priority at his convenience.

Mr. Pitt.—No. We receive every day a number of indents in the office. The opening and the original initialling is dealt with by a Gazetted Officer.

Mr. Mathias.—Do these contain places of destination?

Mr. Pitt.—They contain fictitious or approximate destinations.

President.—That secures priority.

Mr. Hoyle.—Indents received on a particular day have priority against those received on subsequent dates.

President.—It has no reference to the date of despatch.

Mr. Hoyle.—No.

President.—That is what I am trying to explain. He first of all tries to get his priority. Supposing I indent on the 1st January and my colleague indents on the 10th January?

Mr. Pitt.—Your indents will be cleared first.

President.—I ask for my despatch on a much more subsequent date.

Mr. Pitt.—You are not allowed to do that.

President.—But they do place their indents.

Mr. Pitt.—No. Assuming that there are two salt traders A and B: we receive 10 indents from A to-day and 10 indents from B to-morrow. A's indents must be cleared before B's.

President.—Then he will shut the others out entirely.

Mr. Pitt.—A is not allowed to say that he will have his wagons after B.

President.—That is done in every case. He would book his whole orders with you on the 1st of January enough to last him for four or five months.

Mr. Pitt.—No.

President.—Why not?

Mr. Pitt.—Supposing he books his whole orders enough to last for four or five months, there is nothing to prevent us from giving him the entire quantity in one month.

President.—But that would not be done ordinarily. I don't say that there is anything to prevent you from doing so, but he may say "I don't want it just now".

Mr. Pitt.—He would not be entitled to do so.

President.—Would you cancel the indent?

Mr. Pitt.—We can.

President.—Have you done it? The cancellation of indents must in any case be very small in proportion to the total actual indents?

Mr. Pitt.—Because the trade knows how rigidly this rule of priority is observed and they never attempt to break it.

President.—I will have to look into the question of Sambhar later. Here you are dealing in smaller quantities and in a place where the supply is bigger than the demand. At Sambhar the position may be different. By the way, is there a special goods station at Sambhar?

Mr. Hoyle.—There is a depôt. Our Central Stores have been built round the railway station.

President.—What is the procedure? This man arranges with the Goods Station Master, I take it.

Mr. Hoyle.—No. We arrange for the freight. The wagons are brought into the stores; there they are loaded and then they go back on to the main line. I don't think anybody can arrange to have his wagons kept back. The railway would not like it.

President.—Do you apply for the wagons?

Mr. Hoyle.—Yes.

President.—In every case?

Mr. Hoyle.—Yes.

President.—When you get an order from Diwan Chand for 50 wagons do you apply for those wagons?

Mr. Hoyle.—We have standing orders on that point. The General Manager arranges with the railway authorities for the wagons and they supply them. The wagons are loaded in our depôt with our salt. Having been filled they are shunted back on to the main line.

President.—I don't think anybody can secure wagons direct.

Mr. Hoyle.—They are secured by us.

Mr. Mathias.—Have you found any difficulty in obtaining sufficient wagons to execute your orders?

Mr. Hoyle.—They like to have some notice.

Mr. Mathias.—Supposing you doubled your issue at Khewra, do you anticipate any difficulty in securing wagons?

Mr. Hoyle.—They can do it quite quickly.

Mr. Pitt.—We only need three days.

President.—After it leaves the meter gauge then there are two or three different lines and there you don't know what happens.

Mr. Hoyle.—Do you mean that they get their wagons held up en route?

President.—They might.

Mr. Hoyle.—As far as Sambhar is concerned, nothing of that sort happens. As a matter of fact the meter gauge goes very far.

President.—Agra is the nearest point of contact with the broad gauge.

Mr. Hoyle.—Yes. They will probably get to Agra; one cannot say.

President.—I don't suggest anything wrong. Any man doing business on a large scale gets better facilities.

Mr. Pitt.—Not in respect of getting wagons.

President.—I am not so sure about it.

Mr. Pitt.—By the corruption of the Salt Department staff, he can.

President.—There is no one incorruptible in this world.

Mr. Pitt.—Certainly not.

President.—It is rather an exaggerated statement. I don't mean to suggest that you are corruptible.

Mr. Pitt.—It is extremely difficult for Diwan Chand to get more than one or two wagons in priority. He could not possibly get by any means. Assuming the Superintendent who is the officer directly in charge of the depôt is thoroughly corrupt and the two inspectors underneath him are thoroughly corrupt, even so it would be extremely difficult for Diwan Chand to get forward deliveries that would do him very much good.

President.—I have considerable experience of these matters. I have myself dealt with the railways.

Mr. Pitt.—With the railway staff *en route*, it is possible.

President.—I have appeared in cases where these things have come out. It is impossible to check. I wouldn't swear that the system was perfect. You do your best to see that no one is given undue preference. That is about all the railways can do. Beyond that it is not under the control of any authority. That is all one can say.

Mr. Pitt.—From what I know of Diwan Chand's methods, he works more from large godowns. I think Diwan Chand holds up salt in godowns more than he admits.

President.—He probably does that. He has to control the market. So far as Sambhar is concerned, can you lend godowns to anybody to store the salt?

Mr. Hoyle.—No.

President.—He will have to store it in the various depôts in different markets.

Mr. Hoyle.—Yes.

President.—Supposing he indents on the 1st of January and he doesn't give you instructions.

Mr. Pitt.—He must give.

President.—What do you do if he does not?

Mr. Hoyle.—We return the indents as being incomplete. His priority will count again from the date of the receipt of the indent again in the office.

President.—He can always ensure his priority by having some indents.

Mr Hoyle.—Some traders are extraordinarily stupid: indentors make ridiculous mistakes and their indents are returned time and again.

President.—I take it that Diwan Chand is the biggest of your indentors.

Mr. Hoyle.—Yes.

President.—In his case I would like you to give me a statement of his actual indents and removals as they take place.

Mr. Hoyle.—This will take a little time.

President.—I only want this information to find out how he can secure the priority.

Mr. Hoyle.—You want a statement showing the dates of receipt of his indents in the General Manager's office.

President.—I suppose he says that on such and such a date he requires salt.

Mr. Pitt.—Let us take this case. He puts in an indent into my office. We will assume that an indent is not allowed to be for more than 5 wagons.

Mr. Hoyle.—A man can put in as many separate indents for 5 wagons each, as he likes.

President.—Are these indents confidential?

Mr. Pitt.—No.

President.—Supposing myself and my colleague have put in indents, can I find out how much my colleague has put in?

Mr. Pitt.—Actually you are not supposed to do that. But that is the way Diwan Chand does: he gets the duftry in the A. C.'s sales office bribed.

President.—He is in touch with the market at both ends.

Mr. Pitt.—Yes.

President.—Up to what time can he change his destination?

Mr. Pitt.—Up to 24 hours.

President.—That gives him a chance.

Mr. Pitt.—On the railway I think he can divert from almost any station. He cannot stop his indents being cleared here. He cannot say to us "I don't want it now, but I shall require it 10 or 12 days later". We simply load the wagons and book those wagons to the destination indicated in the indent and give him the railway receipt.

President.—Before he sends any wagon from here to say Rawalpindi, he may order those wagons to be sent to Peshawar. Can you prevent that?

Mr. Pitt.—His indent form says that it is for Rawalpindi, and we send it to Rawalpindi. Even after that he can get the destination changed through any Station Master on the way. But so far as we are concerned, we allow a change of destination up to within 24 hours of the time we dispose of it.

President.—There is nothing which Government can do to prevent him from controlling the market as he likes. Once he gets the wagons, he can do what he likes then.

Mr. Pitt.—Certainly.

President.—Therefore he will surely arrange it in such a way that he gets the best price either by selling it direct or by storing it in some place.

Mr. Hoyle.—You may remember I told you yesterday that Diwan Chand doesn't buy all that salt with a view to storing it. He buys a good deal of it to sell. There are big indents outstanding in his name.

President.—This is what gives him an opportunity. You are not responsible for it. He would indent for so many thousand wagons in a year on different dates. He would say to himself "Here is Delhi which has only a

small stock. The market will want this. The price is favourable at Delhi and I will sell it at Delhi ".

Mr. Pitt.—It is only because Sambhar cannot supply the demand, that this situation has arisen.

President.—Precisely, that is the point you are dealing. Even if Sambhar can supply the full demand, it will take a long time for a small man to make use of the salt. By the time the salt has arrived Diwan Chand or some other man might have brought down the prices. It is not easy for a small man to compete then. The economic law does not apply, because the resources are not equal. Supposing you are a small man in Delhi, you feel that the price is Rs. 2-10-0 a maund and you can get it at Rs. 2. By the time your wagons arrive in Delhi, the price is Rs. 2-2-0, where are you then? You are not likely to touch it more than once.

Mr. Pitt.—That is quite true. That is what Diwan Chand has done. Diwan Chand tried to do that with a rather acute body of Punjab traders to the west of us and failed very badly.

President.—That will be possible. The Punjab traders have a very small local market. They perhaps sell at such a price that it does not pay Diwan Chand to meddle with that market. They might be satisfied with a small profit and Diwan Chand might say " there is not much in it ".

Mr. Pitt.—That is possible.

President.—The amount involved is very small for a man of means. Supposing he wants to buy the whole lot of your production namely 130,000 tons, it won't cost much. It is only Rs. 6 a ton and he gets credit for the duty.

Mr. Pitt.—He has got to pay the duty as well.

Mr. Hoyle.—He has got to give security for the duty.

Mr. Pitt.—He doesn't get it at Rs. 6 a ton.

President.—Have you got the system of salt being sold in railway bond?

Mr. Hoyle.—No.

President.—None at all.

Mr. Hoyle.—No. You mean a bonded warehouse of our own?

President.—Haven't you got it?

Mr. Mathias.—I think they have one in Assam and one in Bihar.

Mr. Hoyle.—You mean that the duty will be payable at the destination.

Mr. Mathias.—Yes.

Mr. Hoyle.—No. It is only in the case of Diwan Chand that you want to know. He has to deposit the whole amount into the treasury or the whole amount will have to be charged against his credit account.

Mr. Mathias—Can you tell me the amount of indents he might have cancelled or you might have cancelled?

Mr. Hoyle.—There are very few.

Mr. Mathias.—It would not be necessary for him to cancel his indents because he might send it to some other market.

Mr. Hoyle.—I think very recently we had a case in which he cancelled his indent. The matter was referred to the Government of India sometime ago. The Central Board of Revenue discussed with the Solicitor to the Government of India and it was agreed that we could not insist upon people's indents standing.

Mr. Mathias.—Subject to the amount of credit, he could put in any amount of indents.

Mr. Hoyle.—Yes. There have been only just a few cases.

President.—You mean of cancellation.

Mr. Hoyle.—Yes.

President.—He could hold up anybody. Is there any evidence to suggest that there is a sort of understanding between the different big wholesale dealers in your division, that is to say, between Diwan Chand and Hukum Chand for the sake of argument?

Mr. Hoyle.—Diwan Chand stands alone.

Mr. Pitt.—At Khewra Diwan Chand and some other big trader are working in partnership whereas other traders are not. That is the only case that I know of. But I think the agreement is confidential.

Mr. Hoyle.—It may not be an actual combine.

President.—You know how big trusts very often work. When they declared in America that there should not be a combination, they used to meet at lunch and say to each other, "our price is so much, what is your price? Where do you sell? We sell in Jamaica". That is the way in which they divide the market among themselves. Have you got any evidence to suggest that. There may be that sort of understanding between dealers on a large scale at Sambhar.

Mr. Hoyle.—I don't think there is anything to suggest anything like that. Member A of family X and member B of family Y will combine to make a firm. The second firm will be one of two family concerns. You get that kind of thing.

President.—It may be an understanding. X might say to Y "my market is Delhi division and you stick to Cawnpore". Is there any evidence to suggest that?

Mr. Hoyle.—There is no evidence of that kind of thing.

President.—Or they will say "we will not increase or reduce the price until we have had a little conference."

Mr. Hoyle.—No, I have heard of nothing of that kind. The only kind of backstair arrangement I have heard of between Diwan Chand and some other man is this: Diwan Chand sold a number of wagons once to somebody and then afterwards made an arrangement with that person to share the profits.

Mr. Mathias.—How much a wagon?

Mr. Hoyle.—The cost price of the wagon is about Rs. 420. That is the Government price. It is for 267½ maunds.

Mr. Mathias.—For the first wholesaler As. 2 to As. 3 would be a good profit.

Mr. Pitt.—That is a big profit.

Mr. Mathias.—What determines the profit which a man like Diwan Chand takes? He doesn't push it up to very exorbitant limits.

Mr. Pitt.—No, otherwise he would not be able to get rid of it.

Mr. Mathias.—Why should he not get rid of it?

Mr. Pitt.—There is the question of supply and demand.

Mr. Mathias.—If he has cornered the salt market in a certain place, what is to limit his profits—the possibility of importing it from elsewhere?

Mr. Hoyle.—As a matter of fact Diwan Chand and Ramabilas have both been put under restraint this year. I shall explain to you presently how. The credit rules operated in such a way that if the rules were strictly adhered to, they would have had to pay months before they got the salt. The rule is that the credit accounts have to be adjusted after six months. For indents put in in November last year, salt is not being issued. It will be issued only next May or June. Under the rules they would have to pay several months in advance. All the big credit indentors at Sambhar agitated about this and went up to the Central Board of Revenue. After discussion Government eventually agreed that payment need not be made in the case of credit account until the expiry of one month after the date of clearance of the indents. In return for that concession Diwan Chand and Ramabilas were

asked to undertake that they would not sell at a profit of more than Rs. 40 per wagon.

President.—How do you enforce that?

Mr. Hoyle.—It was difficult strictly to enforce it. As a matter of fact we threatened Diwan Chand that if he did this we should think twice before accepting any further indents from him. We threatened to make things unpleasant for him. There is no legal means of enforcing it.

President.—Have the prices of Sambhar salt gone up owing to shortage?

Mr. Hoyle.—A little. For instance at Cawnpore the retail price early in November, 1928 was 17 seers to the rupee. It has been 16 seers for a long time now. They have not fluctuated very much.

Mr. Mathias.—Supposing your cost price went up by As. 2 a maund, presumably Diwan Chand would still keep the profit at the same level. As. 2 would not come out of his profit.

Mr. Hoyle.—No. In Sambhar wagons are sold at the Government price *plus* an agreed rate of profit. So the cost price of salt charged by Government doesn't make any difference whatsoever to Diwan Chand. Let us say the selling price of a wagon load of salt is Rs. 418. Diwan Chand wants to make Rs. 40 on that. He doesn't say "I will sell you my wagon for Rs. 418 *plus* Rs. 40 making a total of Rs. 458", but "I will sell you my wagon at a profit of Rs. 40", so that if Government is compelled between the date of Diwan Chand's deal with his buyer and the date of the issue of salt to increase its price, to say Rs. 438 in place of Rs. 418, Diwan Chand would still get his profit of Rs. 40.

President.—Do I understand that that is the practice that obtains in Sambhar?

Mr. Hoyle.—Yes.

Mr. Mathias.—Are you speaking about Diwan Chand's arrangement or is it the general arrangement?

Mr. Hoyle.—It is the general arrangement.

President.—First let us take Rs. 40 a wagon.

Mr. Hoyle.—He gets Rs. 40 net whatever happens.

President.—For a wagon of 267½ maunds.

Mr. Hoyle.—Yes.

Mr. Mathias.—Is that Rs. 40 a normal profit?

Mr. Hoyle.—It is rather high.

Mr. Mathias.—What do you think is the normal profit?

Mr. Hoyle.—The times are not normal. 18 months ago he was getting about Rs. 25. Even this year in some cases it would be a good deal lower than that. In some cases they were selling at a profit of Rs. 10 or Rs. 15.

Mr. Pitt.—That doesn't apply to Khewra at all.

President.—Where do you get these wholesale prices from? Whose wholesale prices are these? Are they Diwan Chand's?

Mr. Hoyle.—Please see Appendix IX of the Administration Report for wholesale prices.

President.—Diwan Chand has got a place in Delhi.

Mr. Hoyle.—Yes.

President.—Delhi consumes mostly Sambhar salt?

Mr. Hoyle.—It consumes a certain amount of Khewra salt also.

President.—Let us take Delhi. Delhi price in 1928-29 was Rs. 2-4-0.

Mr. Hoyle.—Yes.

President.—Who supplies this figure of Rs. 2-4-0? Is it Diwan Chand's? Is it the price of the small wholesale dealer? Obviously it would be the price of the big man. I will tell you why.

Mr. Hoyle.—The prices are collected from the big men.

President.—Do they represent transactions or are they quotations?

Mr. Hoyle.—Mere quotations.

President.—Does your man go and enquire from Diwan Chand?

Mr. Hoyle.—As a matter of fact we are starting a new system.

President.—Let me understand this system.

Mr. Hoyle.—I could not say from whom they enquired.

Mr. Mathias.—What officer was deputed by your department?

Mr. Hoyle.—We have to get all this indirectly.

President.—Take Delhi for instance. The price for Sambhar salt is given as Rs. 2-4-0.

Mr. Hoyle.—That is easily checked by the Deputy Commissioner's report. As a matter of fact we have got a new system which has been started now of getting information regarding prices, through Income-tax Officers in the United Provinces which we think are fairly reliable. Mr. Gaskell was on the Board temporarily and he took a great deal of interest and through him I have been able to get this information.

President.—The Inspectors will go round and make enquiries about prices.

Mr. Hoyle.—I don't know how the detailed enquiries are made and to what extent they are right. Of course we cannot throw too much work on anybody. I hope by these means we will be able to get information which will be more reliable. We look up the prices in the gazettes every week or every fortnight.

President.—If I were you I would not.

Mr. Hoyle.—We require some guidance and there is nothing else to go by.

President.—They are worse than nothing. They might mislead you. What I want to know is whether these figures have been collected by your officers.

Mr. Hoyle.—Yes.

President.—I mean the figures in the second column.

Mr. Hoyle.—Yes.

President.—Do they supply you figures from day to day?

Mr. Hoyle.—No.

President.—Then what do they do? What I want to know is the lowest and the highest price.

Mr. Hoyle.—These are averages, I think.

President.—The gentleman who compiled these figures for you ought to be able to tell you how he got this information, who supplied him and how he got the average. I don't want it for all places, but only for big centres. Delhi would be a big distributing centre I think.

Mr. Hoyle.—Yes.

President.—I suggest that these are big dealers' prices. Take for instance Rs. 2-4-0. This is how I arrived at it. Your issue price in 1928-29 at Sambhar is As. 4-3.

Mr. Hoyle.—Yes.

President.—What are the chagres to be added to that? Is that loaded in the wagon?

Mr. Hoyle.—6 pies is despatch charges. Then there is Rs. 1-4-0 duty.

President.—I am excluding the duty for the moment. Do you pay for the bags.

Mr. Hoyle.—They supply their own bags.

President.—I think you have said somewhere 6 pies for bagging.

Mr. Hoyle.—We actually put it into the bags, but the dealers supply us with bags.

President.—You must charge for that.

Mr. Hoyle.—Yes.

Mr. Pitt.—We pay about As. 7 a bag. That is a brand new bag. They get their bags at about As. 6 and they probably use one bag two or three times. One bag contains two maunds.

Mr. Mathias.—That is about right. It is about 9 pies per bag.

President.—Let us take 9 pies for bags. Are there any other charges at Sambhar? Do you load it into wagons?

Mr. Hoyle.—Yes.

President.—Is that charge included in the 6 pies despatch charges?

Mr. Hoyle.—Yes.

President.—Then to get it to Delhi we have to add the freight of As. 5-9 and then there is unloading.

Mr. Hoyle.—That I don't know.

Mr. Pitt.—I think that 6 pies unloading charges would be too much.

Mr. Mathias.—You charge 6 pies for despatching.

Mr. Hoyle.—Yes.

Mr. Mathias.—I think unloading would be very much the same.

Mr. Pitt.—That includes marking of bags and includes a certain amount of supervision.

President.—Let us take 4 pies for unloading at the other end. Then there is cartage from the station to godown. There are godown charges and other things.

Mr. Hoyle.—That is what Diwan Chand says.

President.—I say that these are probably the first wholesale dealer's prices. Do you allow As. 2 for that cartage?

Mr. Hoyle.—Probably; it may be more.

President.—Then there is the commission of Rs. 40 which comes to about As. 2 a maund. That gives me a total of Rs. 1-1-3. If you add the duty, it would come to Rs. 2-5-3 (Rs. 1-1-3 *plus* Rs. 1-4-0). Here you give Rs. 2-4-0. Therefore it cannot be anybody else's figure except the first man's. He probably will not sell it direct. Therefore there must be one other middleman at least.

Mr. Mathias.—One other wholesaler.

Mr. Hoyle.—Yes, in this case.

President.—This is on a wagon basis. A small wholesale dealer may only buy half a wagon. Have we got the retail price for Delhi?

Mr. Pitt.—About 17 seers to a rupee.

President.—How can that be?

Mr. Hoyle.—It is somewhere about that.

President.—It cannot be. What is the retailer to get? All I can say is when he pretends to sell 17 seers, he sells actually 12 seers.

Mr. Pitt.—It was as high as 20 seers. These are faked figures. There is much less profit in the initial transaction. I know that Diwan Chand has had to sell below the cost price, at one time.

President.—If you cut out the profit entirely of the wholesaler that would just make it Rs. 2-4-0.

Mr. Pitt.—So far as our market is concerned, a high figure is 13 seers to a rupee. The normal figure is 15.

President.—Where? We do not know what the charges are.

Mr. Mathias.—That is really an artificial figure. No one goes and buys salt for a rupee.

Mr. Pitt.—That is true.

Mr. Mathias.—In the case of your rock salt it is quite possible that the figures might work out differently, but in the case of the other salt they buy a handful.

Mr. Pitt.—Our salt is generally sold 2 or 3 seers at a time.

President.—Even in your case this Rs. 2-4-0 must be the first wholesale price.

Mr. Pitt.—Those are the quoted rates.

President.—He recovers 50 seers from a maund—I mean the retailer. That is the only way or else the figures are not correct, because I do not see how it can be done. There must be one wholesale dealer. He deals in wagons. He disposes of it at Sambhar practically. Then somebody has got to sell it for him when it arrives in Delhi. He cannot be the ordinary retailer who buys a bag or two.

Mr. Mathias.—The Delhi prices are too low.

President.—First of all who gave you this information? You say the wholesale prices are ascertained by your officers.

Mr. Hoyle.—Yes. This information was compiled in my office. I admit that I did not scrutinise these figures.

President.—It occurs in all the Administration Reports. I want to examine the man who gave you this information. We will take 4 or 5 centres to find out whether these prices can be accepted as representing what actually took place.

Mr. Pitt.—So far as my division is concerned, we accept the gazette figures blindfold.

Mr. Hoyle.—They are simply the reported figures. I am afraid the heading is rather misleading. I haven't got an actual enquiring agency.

Mr. Mathias.—It really means the wholesale prices as accepted by the Department.

Mr. Hoyle.—Yes.

President.—These figures are very unreliable. They may be the figures given by Diwan Chand or any other wholesale dealer. The figures according to our calculation represent only the prices of the next man above the retailer. This big dealer does nothing except book the orders and sell it and make a profit. What are the prices of the man who buys it from him?

Mr. Pitt.—I think that is hardly fair to Diwan Chand. I am not a friend of his. But in fairness to him I must say he keeps quite a big staff of Indian agents to find out the conditions of the market and report to him which market is dear and so on.

President.—That is what he would do and that is what he must do if he really wants to make money.

Mr. Pitt.—It is all very well organised from Delhi. If he hears that in any one particular market the salt is dear, he shoves in his wagons there, but he will try to keep his prices down.

President.—No. What he does is to keep up his price as high as he can till he finds somebody else who can depress him and says 'This is my price'. His idea is to control the stocks in such a way that the prices are maintained at a remunerative level.

Mr. Pitt.—That is so. Let us take a town like Jullundur. There are two or three big fellows. Compared to Diwan Chand they are very small people: compared to others they are big people. They combine and the price at Jullundur goes up and possibly for three or four months till somebody finds it out. These people make a big profit and then our inaccurate statistics show a biggish variation.

President.—Let us take one of your centres.

Mr. Pitt.—With a man like Diwan Chand there is much less chance of that kind of thing happening.

President.—I don't suggest that he would run them up very high. He will run them high up to a level which will not be remunerative for other people if it was reduced. He would allow the price to go up to Rs. 2-8-0, so that he might make a profit of As. 4. He would not raise to Rs. 2-12-0. He would try to keep at Rs. 2-8-0. Supposing any small man wanted to make money, he would immediately lower it to Rs. 2.

Mr. Pitt.—Yes, and freeze out the small man.

President.—Yes.

Mr. Pitt.—That he attempts to do. All these figures do suggest that.

President.—Very few people will be able to undersell him.

Mr. Pitt.—My own impression is that since Diwan Chand has come into the Punjab market—I am here for about 9 years—prices have tended to drop rather than to rise.

President.—He would do that himself until he wipes out the small man. That is just the state of affairs one might expect with a man like him who wants to dip into the market. He stocks his salt all over the place and waits for his time. What do you think he is doing it for?—Not with any philanthropic motive, I am sure.

Mr. Pitt.—He is selling salt to the poor man.

President.—He will say 'I will put my stocks in one particular market and then depress the prices'. These fellows go out and then Diwan Chand's prices are raised. Once these small fellows go out, other small fellows won't venture any more.

Mr. Pitt.—No.

President.—Let me take one of your centres. We took Delhi for Sambhar salt. Which station do you suggest I should take for your salt?

Mr. Pitt.—Rawalpindi or Peshawar.

President.—Which is your biggest market?

Mr. Pitt.—Rawalpindi is one of the biggest markets for our salt.

President.—We will start with Rawalpindi. In 1928-29 your wholesale price was Rs. 2-10-0.

Mr. Pitt.—Yes, including the duty.

President.—We will first deduct the duty of Rs. 1-4-0. It leaves Rs. 1-6-0.

Mr. Pitt.—Yes.

President.—The issue price is As. 3-6.

Mr. Pitt.—That was for last year.

President.—Yes.

Mr. Pitt.—It is As. 4 f.o.r.

President.—The freight is As. 4-8.

Mr. Pitt.—Yes. Unloading and carting at the other end will be about one anna in Rawalpindi.

President.—Are these wholesale prices that are given here in bulk?

Mr. Pitt.—That I can't say. They must be in bulk.

Mr. Mathias.—Any how they have got to take it away in bags.

Mr. Pitt.—To the retailer they must give it in bags.

Mr. Mathias.—Even the wholesaler.

Mr. Pitt.—Yes.

President.—Bagging is 9 pies. We have not allowed anything for profit, so you must allow something for profit.

Mr. Mathias.—The retail price at Rawalpindi is Rs. 2-5-0. The wholesale price is Rs. 2-10-0, there is something wrong evidently.

President.—There is a margin of As. 10-3. (Rs. 2-10-0 *minus* Rs. 1-15-9). The wholesale price must be wrong. At Rawalpindi there is no other salt.

The average price given there is for Khewra salt. I am trying to suggest that these figures are unreliable whichever way you look at.

Mr. Pitt.—What you have worked out gives a reasonable profit.

President.—More than reasonable profit.

Mr. Pitt.—Yes.

President.—It seems to me that the Sambhar figures are incorrect.

Mr. Mathias.—Obviously the Rawalpindi figures are unreliable.

Mr. Pitt.—The Delhi figure is not so enormously different from the Rawalpindi figure. As. 10 is a ridiculous profit.

President.—Let us take another place. What shall we take?

Mr. Pitt.—Try Amritsar.

President.—Rs. 2-4-0 is comparable. That leaves him a profit of As. 4; whereas in the other case it leaves him a profit of As. 10. Is Diwan Chand operating in the Punjab?

Mr. Pitt.—All over the Punjab.

President.—Is he operating in Rawalpindi?

Mr. Pitt.—Yes.

President.—His turn might come before very long.

Mr. Pitt.—Yes, on these figures.

President.—But he had already started in Amritsar.

Mr. Pitt.—Shall we try and give you the destination for Diwan Chand's salt?

President.—Yes, then we will know where he is operating. What do you suggest is the retail price?

Mr. Pitt.—15 to 16 seers to a rupee.

President.—As regards the retail price it would be very difficult to get accurate information, because a man keeps about 20 seers of salt. Either he gives it away with a little bit of other things that you may buy or he may say 'I am going to sell it at such a price'. He earns more or he may not sell it at all. So far as retail prices are concerned, it would be very difficult to control them. But as regards wholesale prices more reliable evidence can certainly be got. We have got the wholesale price of more expensive articles. The oil companies always publish what their wholesale prices are. There is one single marketing organisation so much in bulk and so much in tins. Everybody knows. They are in touch with the wholesale dealers. Take petrol. It is sold at the same price everywhere. In one place you can't find out two different prices.

Mr. Hoyle.—We haven't got the machinery to collect the market price day to day.

Mr. Mathias.—Not the market price, but the retail price.

President.—You have no interest in price. Government thinks that it is controlling but it does not.

Mr. Pitt.—When the prices begin to rise and rise heavily in these districts, I come to know of that fact.

President.—From As. 4 to As. 8 you are not going to hear much about it.

Mr. Pitt.—No. This rise in price has to be reasonably substantial before the department can take action.

President.—But the profits can be very heavy. If the price goes up by As. 4 a maund, it gives a substantial profit to the middleman?

Mr. Hoyle.—I should not think that it would affect the ultimate consumer.

President.—Retail prices are seldom changed.

Mr. Hoyle.—No. Even if they are, he goes and spends a rupee. He gets a rupee worth of salt. It doesn't matter to him whether he gets 15 or 16 seers, because either quantity will last him for some time.

President.—Somebody is making money which somebody else ought to be making—either the Government or the tax-payer. What I say is that a very large sum of money is taken away by people who are not entitled to it.

Mr. Pitt.—Absolutely.

President.—Supposing Government were able to secure that money it could reduce the duty or it could benefit the retail consumer in the long run by fixing the retail price at a lower level. Instead of 12 seers he could get 15 seers. Here it goes into wrong pockets.

Mr. Pitt.—I doubt if Government will be a more efficient selling organisation.

President.—I didn't suggest that at all.

Mr. Pitt.—I cannot help thinking that when you have conditions under which a market can be flooded at any time as we can flood our Khewra market . . . .

President.—Who can flood it?

Mr. Pitt.—We can flood it.

President.—You are dealing with a very small area. If you push this salt into the Bengal market and your output does not increase in proportion, you won't be able to do more. It just happens for the moment.

Mr. Mathias.—Can you flood it unless people place the orders?

Mr. Pitt.—No.

President.—Government is neither in touch with the market as a whole nor has it got the power to flood the market. That is the difficulty.

Mr. Pitt.—But the ordinary law of supply and demand does operate.

President.—We have dealt with the question of supply and demand times out of number. It is only in the book that it holds good.

Mr. Hoyle.—When we had these tremendous indents this time last year or earlier, if we had doubled the quantity of salt we had, we could have done a good deal towards keeping down the price.

President.—Who would buy it?

Mr. Hoyle.—They are bound to buy it from us. They had placed the indents. We should have pushed out salt.

President.—But they could cancel the indents. They will say "We don't want it, thank you". We have got quite enough. When you don't market the thing yourself, you have got to depend for a very large percentage on a dozen or half a dozen big fellows. No small man is going to incur the displeasure of big fellows however much you may want to sell it. It is not as if you are a selling body. Your price is fixed at As. 4-3. If you were at liberty to reduce the price including the duty and say 'instead of salt being sold at Rs. 1-8-0, with the duty we will sell it at Re. 1.' Then you would find purchasers. Then you can do it. But when the margin is only within As. 4, what can you do with it? As I say if you quoted an inclusive price including the freight, duty, transport charges and everything to destination and then you were at liberty to vary it according to the market conditions from time to time then the law of supply and demand might operate to a certain extent. But when you are not at liberty to do any of these things, how can the law of supply and demand operate at all. You may have the supply, but you haven't got the people to take it. That is what the Government have been trying to do for many years and it has failed every time. The whole policy of the Government was to manufacture and sell salt so that the market might be controlled. It has controlled to some extent in Madras, but there also I find in the vicinity of the centres of production, the prices are higher than in other places, because in the vicinity of factories, there is no competition.

Mr. Pitt.—Our experience has been that it is only when we have not been able to supply the demand that prices have risen. So long as we have had enough salt we will be able to cope with the situation.

President.—What are your stocks just now?

Mr. Pitt.—2 lakhs of maunds.

President.—Does that represent 6 per cent. of the year's demand?

Mr. Pitt.—Approximately.

President.—Is that a sufficient stock to control the market? You cannot do it.

Mr. Pitt.—The plant and the organisation are there.

President.—How can you control the market with your 5 or 6 per cent. of salt?

Mr. Pitt.—We can increase the output of the mine.

President.—You may be able to do it up to 50,000 tons. That is on a year's working. But at a particular moment if you had to bring 10,000 tons into a big market, you could not do it. You would have to wait. By that time the conditions might have changed. You can only increase your output by 50,000 tons in a year. Further you are not a marketing body. Therefore you don't know. You must find somebody who is going to take your salt even if you produce it which at present you haven't got. Even if you had that capacity, what use could you make of it, unless you have 4 or 5 months notice.

Mr. Hoyle.—We could operate much more quickly. We could push out salt much more swiftly than you imagine, only we could not keep it up throughout the year.

President.—Your margin is very small. Instead of As. 4 which is your issue price you might reduce it to As. 2. Even that you could not do without orders. By the time you get orders, the conditions might change. Supposing there was a really powerful organisation against you, it would buy whatever quantity you might produce at the reduced price until you would be exhausted. That is also possible.

Mr. Pitt.—Under our new indenting rules they cannot do it.

Mr. Hoyle.—No. We are going to accept indents monthly. It would depend on how much salt would be available for issue month by month.

President.—That would be a splendid opportunity for the speculator if he knows that you are going to put only 10,000 tons in the market in one month. He will say 'I know the quantity I have got to deal with and thus I am in a much better position'.

Mr. Hoyle.—There is something more. Nobody can indent at a time for more than a quarter of the month's supply.

President.—He will put up four men instead of one

Mr. Hoyle.—It is not quite so bad as one.

President.—He will nominate four men and say go ahead and ask them to buy 25 per cent. each. That will give him 100 per cent. The only thing to do is really to be able to control the market and the production or the supply. That you will not be able to do.

Mr. Pitt.—I doubt whether Diwan Chand can.

President.—The whole point is if you want to stabilise prices, you must be able to control production, that is to say the supply for the time being, and that the Government has not been able to do and will not be able to do under these conditions.

Mr. Pitt.—For example in 1923 the duty was put up to Rs. 2-8-0 and was reduced to Rs. 1-4-0 in 1924. During 1923 the market was starved. People were not willing to buy at the higher rate. They were doubtful whether Government would persist in keeping up the higher duty or not. When they persisted, the market was absolutely starved. The price went up. When the duty was altered, there was an enormous profit on salt that was bought immediately after the fall in duty. Market prices were regulated on a purchase price of Rs. 2-8-0 and immediately after the duty fell, people were buying from Government at Rs. 1-4-0. We got the Punjab market under

control in about two months. It did not take us very long to handle the situation.

President.—I do not know what the stocks were. I do not know what was taking place. As far as I know—I am speaking of the situation generally—a lot of people somehow got to know that the duty was going to be increased. I was in the Assembly at that time. Before the new duty came into force the issue was tremendous. The discussion was going on and they said that parliament would reduce the duty on salt. These people would not sell. They were waiting to see what was going to happen. You might remember that a question was put in parliament when it was authoritatively said that the parliament was not going to interfere, then they started selling, but this agitation was kept up for the reduction of the duty. Therefore people would not buy any more. The stocks were sold. The rest of the people were not buying. There was very little stock in the market. Therefore when the duty was reduced, you were able to put that stuff into the market. There was a demand for you already which had to be fulfilled and that is how you were able to control. Government did not realise as much as they expected out of the increase in the duty.

Mr. Pitt.—It would be very difficult for Diwan Chand and others to form a ring and get that price.

President.—They could not. Rs. 2-8-0 was the duty itself and the risk was very much greater.

Mr. Hoyle.—I don't quite feel convinced as to our not being able to put Khewra salt in the market.

President.—I say you won't be able to do it always.

Mr. Hoyle.—In 15 days we could double our output.

President.—My point is you can do it, but who is going to take it from you. Are you going to sell it yourself in the market? That is what I am suggesting. Even if you have the stocks, who is going to take it from you?

Mr. Pitt.—My experience of the Punjab market is not like that.

President.—There is no one operating on a large scale here up to now. I am putting to you conditions under which somebody is operating on a large scale in the Punjab.

Mr. Pitt.—Roughly your idea is that the credit system is killing the small man.

President.—I don't say that. That is one of the things. If the big man wants to buy, the small man doesn't venture to buy against him. Even if you have got the supply, how can you flood the market?

Mr. Pitt.—Given those conditions we could not flood the market.

President.—Here the conditions have not arisen.

Mr. Pitt.—No.

President.—But at Sambhar they have arisen. There you haven't got the stock.

Mr. Pitt.—The conditions have arisen in Sambhar, because we could not give the salt.

Mr. Mathias.—Before the salt was washed away in Sambhar, you were able to give deliveries fairly quickly.

Mr. Hoyle.—Not as quickly as we could have wished.

Mr. Mathias.—What was the reason?

Mr. Hoyle.—There are various reasons. A good many of our troubles emanated from the Audit Officer. The Audit Officer in 1927 suggested that there was no use in extracting salt up to capacity and he proposed and the Government of India agreed that our output of salt in that year should be limited to 55 lakhs of maunds. Had this not happened, we should have got at least 15 lakhs more of salt which would have been very useful. Before the flood happened in July we were issuing salt at the rate of 80 wagons a day at Sambhar. Then measures had to be taken for the purpose of con-

serving our stock as much as we could, and then arrangements were made to put Khewra and Kharaghoda salt on the Sambhar market.

Mr. Mathias.—That is after the flood.

Mr. Hoyle.—Yes.

Mr. Mathias.—Before the flood, what was the limiting factor? You were very much in arrears—about 10 months. What prevented you from pushing along and getting up to date.

Mr. Hoyle.—If we had gone on issuing the larger number of wagons, we should have pushed out all our stock of salt by April and then had to start issuing absolutely brand new salt. We should have exhausted what we had on hand and our next issues would have had to start right away with the next season's salt.

Mr. Mathias.—Isn't that what a reserve is kept for? When there is a demand, the idea is you should fall back on the reserve.

Mr. Hoyle.—There was no reserve.

Mr. Mathias.—The reserve which was washed away had been built up.

Mr. Hoyle.—It was not any special reserve. It was last season's crop. The loss was extremely unfortunate.

President.—We have forgotten about the cash fellow. What is the procedure against the cash?

Mr. Hoyle.—There are treasuries to accept salt revenue. You put in your indent form which is exactly the same as in the case of a credit indent. You pay into the treasury the price of a wagon-load that is to say all charges included. The Treasury Officer forwards the indent to the General Manager's Office.

President.—The cash fellow would ordinarily wait until the very last minute.

Mr. Hoyle.—Yes.

President.—Can he depend on the order being executed at a particular time?

Mr. Hoyle.—Under normal conditions, when there has not been an unusual surfeit of indents. He probably studies local conditions, and finds out whether there is a large balance of indents to be declared.

President.—The cash transactions are, I take it, done on a smaller scale.

Mr. Hoyle.—Very much smaller. A credit indentor might indent for 50 wagons whereas a cash fellow would probably indent for 5 wagons.

President.—The whole trouble is the cash fellow doesn't know how to get his priority at all, because the credit people will have their indents before him. These indents under your instructions are to be cleared before the cash fellow gets his chance.

Mr. Hoyle.—It just depends on the date when they are received in the office. When the credit man's indents are received first, his indents will have priority.

President.—The credit fellow says 'My indents are required on the 15th' and he will indent on that basis. But to the cash fellow it matters everything. He sends his orders not knowing what indents there are on this particular date.

Mr. Hoyle.—Yes.

President.—The small man doesn't know what is going on at Sambhar.

Mr. Hoyle.—Our smallest men live at Sambhar. We have a certain number outside, but we have quite a large number of them living in Sambhar and they are closely in touch with Sambhar.

President.—The cash fellow is really the big fellow on a small scale. One of the reasons why I say you cannot control the market is that unless the man in the upcountry markets is able to get his things in time, to take advantage of the market, the prices cannot be reduced, but he cannot do it

apparently. Supposing a man from the district indents, will he know that on a particular date his stocks would be cleared.

Mr. Hoyle.—No.

President.—Normally speaking.

Mr. Hoyle.—About a month ahead the indent must be put in.

President.—How long do you take?

Mr. Hoyle.—Perhaps a month would be less than usual at Sambhar. The indent is always placed two or three months ahead.

President.—You have got indents of 1928 which have not yet been cleared.

Mr. Hoyle.—I am not talking of the present time.

President.—I am talking of a year ago. Put yourself in the position of those who placed the orders with you in September, 1928. They have yet to get the salt.

Mr. Hoyle.—Yes.

President.—What is the cash fellow to do in the circumstances? He has to come to the big fellows and buy it from them or otherwise he will lose the market.

Mr. Hoyle.—Cash people have been allowed 20 per cent. priority.

President.—I have already told you that the big man will become a small man.

Mr. Hoyle.—I do not know. We are not accepting cash indents at all. We stopped accepting cash indents at the time we stopped accepting credit indents. The concession did not apply to new cash indents, because we were not accepting new indents as we were clearing off the indents which were in arrears.

Mr. Mathias.—Are you not accepting any indents in Sambhar?

Mr. Hoyle.—None whatever.

President.—How do you propose to control your markets?

Mr. Hoyle.—We cannot. We haven't got the machinery.

Mr. Mathias.—What is the idea of the reduction of the railway freight, to enable Khewra salt to take the place of Sambhar salt to some extent?

Mr. Hoyle.—It was hoped that we might get a little bit into Bihar.

Mr. Mathias.—Has it not been successful?

Mr. Hoyle.—It has not had any stimulating effect. On the contrary it is very disappointing.

Mr. Pitt.—That was because we flooded the market.

President.—You didn't flood the Bihar market.

Mr. Pitt.—No. What we did was this: when this reduction in freight was about to take place, I was expecting that there would be a good bit of extra demand from Bihar on account of the reduction and we just killed the Punjab market stone dead, so that at present it is suffering from that.

Mr. Mathias.—You mean to say you expedited fulfilling the indents.

Mr. Pitt.—We cleared everything as quickly as we could.

President.—Have you created any new indentors because of the reduction in the freight? If you have not, you have put As. 3 or As. 4 into the pockets of the middlemen. You took the money from the railway people and gave it to the middlemen.

Mr. Pitt.—The concession is only for stations beyond Saharanpur.

President.—Unless you have got a new set of dealers who take advantage of this reduction in freight and sell in competition with the others, you cannot sell more salt. Then what happens is this: the other fellows retain the same price and put the freight reduction into their pockets in addition to what they have been doing before.

Mr. Pitt.—I think that that is happening to some extent. How long will that last?

President.—It would last so long as the other fellows cannot go into the business.

Mr. Mathias.—What was your reason for thinking that Bihar would take your salt?

Mr. Hoyle.—A good deal went into Bihar towards the end of the war.

Mr. Mathias.—In rock form?

Mr. Hoyle.—Yes. It was extremely popular. We had special enquiries made at that time. That was in connection with a proposal to reduce the freights. Enquiries made in Bihar showed that Khewra rock salt was very popular; only it was expensive.

Mr. Mathias.—Mr. Pitt, what is your reason for thinking that Bihar would not take your salt?

Mr. Pitt.—My own opinion is that they will not take it immediately. This will have to be introduced gently into the market. There is no very serious shortage of sea salt now and I have found the people here very conservative about the kind of salt that they eat. I would not like to attempt to introduce Sambhar salt everywhere. Even if it was very good, we should have the greatest difficulty.

Mr. Hoyle.—Sambhar salt is a very different thing.

Mr. Pitt.—I am talking of the difficulty in introducing the very best quality of salt into any market.

Mr. Mathias.—The idea is to introduce Khewra salt into areas at present using Sambhar salt.

Mr. Hoyle.—That is the idea.

Mr. Mathias.—Even so there may be some difficulty.

Mr. Pitt.—I think the introduction will have to be gradual.

Mr. Mathias.—From your previous experience could you say how long it would take before you might expect the consumption of your salt to increase there in consequence of the reduction in railway freight.

Mr. Pitt.—The very earliest we could hope for an increase in consumption would be 4 months from the time we put our salt into the market.

सत्यमेव जयते

NORTHERN INDIA SALT REVENUE DEPARTMENT.

Evidence of Mr. A. L. HOYLE, I.C.S., Commissioner, Northern India Salt Revenue, Mr. A. D. C. McIVER, General Manager, Rajputana Salt Sources, Sambhar, Mr. O'DONNELL, Assistant General Manager, Mr. SAIYED MUHAMMAD and Mr. R. C. SETH recorded at Sambhar on the 9th December, 1929.

(All the Salt Traders of Sambhar were also present.)

President.—Mr. McIver, you are the General Manager.

Mr. McIver.—Yes.

President.—Is that your official designation?

Mr. McIver.—Yes.

President.—And Mr. O'Donnell?

Mr. O'Donnell.—I am the Assistant General Manager.

President.—Mr. McIver, you have been connected with the works for 20 years or so.

Mr. McIver.—About 25 years on and off.

President.—Then, the lake was in a very different condition.

Mr. McIver.—Yes.

President.—What was the output then?

Mr. McIver.—In those years it varied considerably from time to time. It had been as low down as 3 lakhs; it also went up as high as one crore another year, after a very heavy monsoon in the year following the monsoon.

President.—What was the average production?

Mr. McIver.—I put the average of those years at about 50 lakhs.

President.—You had those small pans, I take it.

Mr. McIver.—Yes. We worked with small pans and kyars as well.

President.—And these works (pans) were worked by contractors.

Mr. McIver.—By petty contractors.

President.—And the kyars?

Mr. McIver.—They are worked by the Department with manual labour.

Mr. Mathias.—You didn't have a contractor for the big pans.

Mr. McIver.—No.

Mr. Mathias.—You worked them departmentally.

Mr. McIver.—Yes.

President.—Was there any difference in quality between the bigger and smaller pans.

Mr. McIver.—As regards the smaller pans the salt was smaller grained and softer.

President.—What about the colour?

Mr. McIver.—It has never been pure white. It has always been slightly tinted. According to the flooring of the pan, it may be bluish grey or it may be a lighter grey if one might call it so.

President.—That was entirely due to the formation of the bed.

Mr. McIver.—It is due more to the actual bed formation.

President.—But the quality of the brine, as it comes from the lake, has not got much to do with it, has it?

Mr. McIver.—For the small pans which were known as pan works we used sub soil brine.

President.—That is to say, you had pits.

Mr. McIver.—We had wells from which the brine was drawn.

President.—That would be purer.

Mr. McIver.—It would be of a higher density.

Mr. Mathias.—You would have no *nel rang* in the pits.

Mr. McIver.—Before that portion of the lake had dried up, you would have the *neel*. That used to be drawn off. Then, we utilised the percolation brine in the well. The fresh brine which percolated through the sides we used for the charging of the pans.

Mr. Mathias.—That would have no *neel* in it.

Mr. McIver.—Quite so.

President.—To that extent, the salt would be purer.

Mr. McIver.—According to the analysis it was not quite so pure.

President.—Does that mean that the *neel* that you get improves?

Mr. McIver.—There was more of the allied salts.

Mr. Mathias.—For instance, magnesium salt.

Mr. McIver.—Yes.

President.—That was because they did not regulate the brine.

Mr. McIver.—The brine was condensed in small condensers.

President.—In the pans themselves they went on probably much longer with it and allowed other salts to precipitate along with the sodium chloride.

Mr. McIver.—The officers of the department—I mean the Inspectors went round and tested the brine with the help of hydro-meter. At about 30°B. (the pans) they were extracted.

President.—In some cases, they extracted before 30°B.

Mr. McIver.—We generally work here to 30°B.

Mr. Mathias.—Sodium carbonate would precipitate before that.

Mr. McIver.—It precipitates early. It actually goes out again afterwards.

President.—Then, I take it you went on like that until this Sambhar improvement scheme was projected.

Mr. McIver.—Yes, till that was projected.

President.—When was the project first conceived?

Mr. McIver.—That was started in 1920.

President.—In 1920, it was started.

Mr. McIver.—Yes.

President.—When was the idea first conceived?

Mr. McIver.—1918 or 1919.

President.—Whose idea was it?

Mr. McIver.—Mr. Fergusson's.

President.—What was Mr. Fergusson?

Mr. Hoyle.—He was my predecessor as Commissioner of the Department.

President.—The main idea was that you should not run short of brine.

Mr. McIver.—We wanted the brine in a much smaller area.

President.—But the area was fairly large. It was made into a big reservoir.

Mr. McIver.—Yes.

President.—That is to say, the evaporating surface was very large—about 8 sq. miles.

Mr. McIver.—From that as the brine rises, we draw it off into our smaller areas.

President.—What is the area of the reservoir?

Mr. O'Donnell.—It is not 8 square miles. It was originally 8 square miles but has been reduced to about 5 square miles.

President.—Still it is a very big surface. Of course I don't express any opinion on the engineering aspect of it. It does seem to me that if you have such a large evaporating surface as that, the brine will evaporate much more quickly than if you had a deeper reservoir with a smaller evaporating surface.

Mr. McIver.—Formerly the area we had was 60 square miles.

President.—I don't dispute that the idea of impounding the brine was a good one. What I dispute is whether it would have been better or not if you had a deeper reservoir with a smaller evaporating surface so that the brine would have remained in the reservoir for a longer period than it is possible now. Do you agree or not?

Mr. Hoyle.—I think that the limits of the reservoir were determined by the existence of the two kyars, four or five miles out, Guda on the one side and Japog on the other. If the dam had been placed towards Sambhar, those kyars would have been excluded.

Mr. McIver.—They would have been excluded.

President.—Why? You should have fed them from this reservoir. Why should they be excluded? Instead of taking it direct from the reservoir as it is now, you would have had channels running across. That is not a very serious objection. I am not an engineer. I am looking at it from the commonsense point of view. Whilst you were at it, you might just as well have evolved a scheme which would have saved you the brine for a much longer period than you can do now.

Mr. Hoyle.—Yes.

President.—You would agree, would you not, that it would have been better if you had a smaller evaporating surface.

Mr. Hoyle.—You mean the evaporation would be quicker.

President.—No, no. The smaller the evaporating surface, the slower the evaporation. Therefore a much larger quantity of brine would be available in that reservoir throughout the year. That is a physical proposition.

Mr. Hoyle.—I see your point now.

President.—Therefore to start with, you would have stopped the rate of evaporation and a greater quantity of brine would have been left in the reservoir for use as you require.

Mr. McIver.—The rise in density would be slower.

President.—Yes, but you would have condensers. The depth of the condensers could be regulated. From the condensers you could take it to the pan. In that way, you could economise your brine much better. At present what you have is a big condenser or reservoir.

Mr. McIver.—Yes.

President.—It does work as a condenser because towards the end of the season, after it has evaporated, the salt is precipitated.

Mr. McIver.—Yes, from what little brine is left in it. Just a thin surface crust.

Mr. Mathias.—Was the point put by the President ever considered at the time?

Mr. McIver.—I can't say whether it was considered by those who carried out the operations at the time.

President.—I have read what little literature has been made available to me and I don't find any reference to it.

Mr. Hoyle.—It seems to me that those two limits were rather obvious ones.

President.—Which limits?

Mr. Hoyle.—Japog on the one side and Guda on the other. Those two kyars.

President.—Mr. Bunting was, I take it, the engineer in charge.

Mr. Hoyle.—Yes.

President.—He was purely an irrigation engineer.

Mr. Hoyle.—Yes.

President.—And not a salt expert?

Mr. McIver.—Not to my knowledge.

President.—These points would not ordinarily be considered by the irrigation engineer, that is to say, as to what the reservoir ought to be if you wanted to make the utmost use possible of the brine that was available.

Mr. McIver.—Yes, in the ordinary course.

President.—He is an engineer and he is concerned with the impounding of water. He has impounded it. He has made the capacity of the reservoir such as would hold all the brine that could be pumped from the lake. The reservoir has not been so devised for the manufacture of salt. It may be as economic as possible I don't say anything. I am simply arguing from the effect to the cause.

Mr. Hoyle.—On the other hand, he worked in consultation with the local officers.

President.—The local officers would hardly have a say in a matter of this kind. He was an engineer trusted by the Government of India to construct this work. From what I can see from the records, I don't think that Mr. Bunting was a man who was likely to be influenced by any other people's opinion. I only judge by the proceedings of the Public Accounts Committee. I don't say anything else. It is not very likely that if a salt expert was consulted, an obvious point like this which strikes us would have been missed.

Mr. Hoyle.—Mr. McIver, I am sure Mr. Fergusson consulted you, didn't he?

Mr. McIver.—He did not.

President.—I rather think that the idea was probably that this should act as a condenser and it is being used as a condenser to a certain extent

Mr. O'Donnell.—It is a combination of both a reservoir and a condenser.

President.—I have just pointed out how risky it is.

Mr. O'Donnell.—We have not had reliable evaporation data.

President.—You ought to have taken them. Even to-day the evaporation data are not available.

Mr. O'Donnell.—That was what the irrigation engineer complained of.

President.—They should have been collected before the Government committed itself to a big scheme which cost Government Rs. 50 lakhs or more. It was public money. You cannot plead that you had not sufficient information before you undertook the project for the simple reason that you ought to have had. That is no excuse whatever. Having got this reservoir-condenser more or less, there was no examination of how big scale salt works were constructed in other parts of the world except that I understand he paid an occasional visit to Egypt and other places. Is that right?

Mr. Hoyle.—I understand that he visited foreign salt works.

President.—The best evidence that Mr. Bunting had not any special knowledge of the salt working, is that he has now gone to Europe in connection with another scheme to study those very things which he ought to have studied when these works were projected.

Mr. Hoyle.—Practices may change. Is that not possible? In order to keep himself abreast with the latest developments in the working of the salt industry in Europe, he may have gone there.

President.—There is no evidence to suggest that there have been such great changes since 1921. The solar evaporation is used in Spain, Riveria, Italy, Egypt, the United States and I do not know what other countries.

Mr. Hoyle.—I am not talking of the solar evaporation. I am talking of the means by which the locality is adapted to make the most of the advantages it has got.

President.—What Mr. Bunting apparently did was this. I am simply going by the records. I do not know what was in Mr. Bunting's mind. I don't pretend to know. What I say is that this scheme was projected without a sufficient examination of the methods, of the lay out and of the processes. That is all I say. Government is now saddled with a salt works which has cost so much money and does not produce and is not adapted to produce a very good quality of salt. The fact that the people do eat it is no answer because people have got no choice.

Mr. Hoyle.—Have the traders expressed a preference for any other salt?

President.—That is not the point. A man would eat dirt if he cannot get anything else. That is no answer to the question, why do people make dirt. People when they have no choice in the matter will eat what they can get. I don't think that we need go any further into the matter. That is no justification for your putting an article on the market which ought not to be put.

Mr. Hoyle.—We are constantly informed by the traders that people have a preference for the Sambhar salt.

President.—That is my personal view. I am just putting it for discussion, just as it strikes me in order that we may discuss it together. I think I must make it clear that sometimes the remarks are put in a way to mean that I was expressing an opinion, though it was not intended to convey as an expression of opinion. It was merely put forward as a matter for discussion. Our opinion will be given at a later stage. Now I am only exploring the evidence.

Mr. Hoyle.—My view is that the traders have always expressed a preference for the large grained salt which is the typical product of Sambhar.

President.—Didn't you hear yesterday that if salt of this class was produced it would fetch a better price?

Mr. Hoyle.—A very typical trader came and saw me this morning. I asked him what he thought about it. He told me that it was not as good as Sambhar salt.

President.—He may shout from the housetop that it is not as good. He would never be able to convince me that a consumer is not going to take that salt in preference to the dirty salt.

Mr. Hoyle.—It is to the size of the crystals that they look.

President.—It is a question of habit. The trader is interested in selling this kind of salt. If he knows that the Government will supply him with the other salt, he would sell it. He has said so because he has been selling the Sambhar salt and has built up a reputation and he is not going to change it. So far as I am concerned, it is eye-wash. I don't believe him. That man is either prejudiced or interested. That is my personal view. I don't believe traders when they tell me things like that. We have had the same thing in every enquiry. The trader says that the consumer will never take it. The consumer has taken it and would jolly well take it again. He would not take the salt which is big grained and dirty but would take the whiter salt.

Mr. Hoyle.—He would not, at the price at which the smaller grained salt is sold.

President.—In this case, the question of price does not arise, because you have a monopoly.

Mr. Hoyle.—I am not convinced that he would.

President.—I have got six or seven samples. The average grain is as big as that.

Mr. O'Donnell.—Last year was an abnormal year.

President.—They are taking it now and they are eating it. Are they not paying a better price? Why do you say that they would not take it?

Mr. Dhawan.—Last year was abnormal. The product was the worst of its kind. Previous to that, we were getting superior salt.

President.—There is no such thing as Sambhar quality. Nothing will convince me that there is such a quality. There is a Sambhar grain—that is all I know. The only thing is grain and the percentage of the big grained salt to the small grained salt would vary from 1 per cent. to *nil* or to 50 per cent. I have got 7 or 8 samples taken from different places, and I am at a loss to see what you call a typical Sambhar quality. It is the ideal that you are aiming at, that is, to produce the big grained salt. Whether you are likely to produce it, whether you have produced it or whether you are producing it is a different proposition.

Mr. Hoyle.—Have you seen the formation of crystals?

President.—I have seen it in the heaps. I have 8 or 9 samples. Is this the best average (shown the sample taken from Store No. 6)?

Mr. Muhammad.—Yes.

President.—What percentage is it of the rest?

Mr. Muhammad.—20 per cent.

President.—There will not be more than 5 per cent. of that, I mean the big grains in comparison with the smaller grains. The total quantity of big grained salt that you produce in proportion to the smaller grained salt is not very large. If it is only 20 per cent., then it follows that 80 per cent. is inferior and 20 per cent. is superior salt.

Mr. Muhammad.—It is not inferior in quality. We say 20 per cent. is big grained and 80 per cent. the rest.

President.—If anybody says that there is a grade which is known as the Sambhar grade, I should find it very difficult to follow what is meant by that. What I should do is to take all the samples of equal weights and mix them together and then get the average. I cannot go by what you have done before. Big crystals can be had from Karachi, Aden, Mussowah, etc.

Mr. Hoyle.—What process would they adopt? Take the sample of the Star Works.

President.—They adopt a process which is not the accretion process. They have condensers and have got pans with artificial surface. That is what produces this kind of salt. In Aden, I understand that the natural beds are very firm and they follow the same methods—condensers and pans.

Mr. Mathias.—In order to produce the bigger grain, they scrape it very often.

President.—They scrape it very often—that is once in three or four days.

Mr. Hoyle.—We have not got such pans.

President.—Nobody has considered it. This has not been done. It would probably have some effect on the production of salt. It might be expensive. If you were to surface all your kyars they would be deep pans. What you want is a very small percentage. Here I find that not even one fourth of the total area used is surfaced.

Mr. O'Donnell.—But our output is absolutely limited by the brine in the reservoir.

President.—That I have explained to you already. What you are doing is that owing to this difficulty of your brine, you are using the best time of the year for manufacture for merely reaping the crop, *viz.*, the months of April, May and June. In some places, that is the best season of the

year. That season you waste. So far as manufacture is concerned you don't carry on manufacture, whereas you use earlier months which are not so good from the manufacturing point of view. Is not that so?

Mr. McIver.—We have to extract during that season. In winter slow and uniform evaporation leads to solidity and maturity of crystals—climate here is dry.

President.—If you had brine available that would be the best season for manufacture.

Mr. O'Donnell.—We lose about 50 per cent. of the water in the lake before it rises to 3°B. density.

President.—That does not matter.

Mr. O'Donnell.—After that, we have to pump it. That is all that we have as a reserve in normal years.

President.—Why should you wait till you get to 3°B. when you have a condenser?

Mr. O'Donnell.—Otherwise we cannot get salt as the water takes up the salinity from the lake bed and only thus can it acquire the initial salinity of sea water.

President.—After having got the 50 per cent., 50 per cent. more evaporates from this. What you do is this that you have got the reservoir (zero degree) to start with. Then, you pump the water out. The result is that there is less and less water in the reservoir as you get along. The rate of evaporation becomes higher and higher. Therefore by the time you have taken out the water, the reservoir is already precipitating salt and gets dried up. If you had a deeper reservoir like a bottle instead of a plate, the position would be very different.

Mr. O'Donnell.—It could last perhaps a little longer.

President.—Considerably longer.

Mr. Mathias.—Your idea is that the consumer in the Sambhar area would not prefer the kind of white crushed salt prepared by Grax Limited.

Mr. Hoyle.—It is a view which has been expressed to me only this morning by a representative trader.

President.—Do you really believe that?

Mr. Hoyle.—I admit that I have not had the opportunity of verifying it.

President.—You met yesterday another big trader. He said that not only the consumer would take it but would pay a better price in the area in which the Sambhar salt is sold.

Mr. Hoyle.—I heard him say that.

President.—He is a very big trader.

Mr. Hoyle.—Yes.

President.—After all it is really a matter of opinion.

Mr. Hoyle.—Exactly.

President.—Believing that a human being would under normal circumstances behave in a normal way, one would say that he would prefer this salt.

Mr. Hoyle.—I think that the transparency in the other is possibly a factor.

President.—You know the case of ice, a very common commodity. The crystal ice is very good. That is what every consumer wants

Mr. Hoyle.—Yes.

President.—They make it foggy and yet people take it. They don't look at it. They say 'we cannot help it'. That is what your customer does. If you have tried this salt say for 5 years, and if the consumer has persisted on, then I can conceive that the consumer is a fool and that he is not to be pampered in that way. I would agree with you if you said that any salt very much inferior to that would not be accepted. It

is rather a strain on my brain to accept that the consumer would reject the superior salt.

Mr. Hoyle.—I suggest that the transparency of the crystals may be attractive to the consumer. Ours is much more transparent than the other which is practically opaque

President.—He is an unusual consumer who looks at salt and says that it is transparent. As a matter of fact I don't believe that the ordinary consumer of salt cares a scrap about transparency so long as he gets salt. This is a bogey created by the interested parties in which Government believe. We have had it in every enquiry. We have had it in the Steel enquiry, Match enquiry and Cement enquiry. It is the same thing. The dealer says 'This would not be accepted by the consumer and the thing that he has always been selling is better'. We have always decided that we cannot believe the trader on that point. It is obvious that a man of common sense would not do. We are getting away from the point about the construction of the improvement works.

Mr. Hoyle.—There was a suggestion that the dam (except this year when it broke down owing to abnormal circumstances) used to protect the kyars. I think that that was one of the reasons for placing it there.

President.—If the point had been considered of a deep reservoir then I would be prepared to go into the question. But when there is no evidence that I can find that the point was considered in consultation with a salt expert and not treated merely as an engineering problem, what is the good of pursuing it really. I want to knew whether this point was considered. Can anybody tell me? Mr. McIver is the only person who can tell me about it.

Mr. McIver.—I cannot say whether it was considered or not. I was certainly not asked anything about it.

President.—But you cannot say that it was considered.

Mr. McIver.—I cannot say that it was considered.

President.—But the person that would be consulted in the matter would be you if the point was really considered

Mr. McIver.—Yes. If the point had been really taken up, I would have been consulted.

President.—It is said that the conditions were abnormal. As I say I am not an Engineer and I am not prepared to express any opinion as to the safety and all that. All I can say is that the dam is only 8 years old and that it has collapsed. I think the Government is involved in an additional expenditure. That is all that I can say. As to whether it is due to the abnormal flood or not, I cannot say.

Mr. McIver.—Of that there is absolutely no doubt.

Mr. O'Donnell.—This year the flood was abnormal.

President.—Abnormal in the sense taht it was abnormal for this dam.

Mr. Hoyle.—I think we may fairly say that it was actually abnormal from any point of view. More than an average year's rainfall was received in a week and the bulk of it in two or three days. Certainly that is abnormal.

President.—Was there any overflow arrangement?

Mr. O'Donnell.—There were arrangements for sluices.

President.—Ordinary weir and that sort of thing.

Mr. O'Donnell.—No. But there was an overflow over the sluices which were closed down.

President.—I am not an Engineer. I have seldom seen where there is not a sort of weir on which it overflows. Though the rains might have been abnormal, it was not necessarily a reason why a dam properly constructed should burst.

Mr. Hoyle.—Floods occur periodically. One of the earlier floods was actually slightly higher, but it was not caused by one torrential downpour in two or three days. The lake gradually rose.

Mr. O'Donnell.—That is correct.

President.—That we are not dealing with at present. But I hope that when the Government undertakes this work, it would see that this thing does not happen again and if possible it may be considered in consultation with some salt expert whether the reservoir should not be deepened and the evaporating surface reduced. I can only throw out a suggestion.

Mr. O'Donnell.—Mr. Minshull the engineer lately here was of that opinion. He was for reducing the area by half of the dam which would double the depth and enable more brine to collect in a smaller area.

Mr. Mathias.—Had he any knowledge of salt working?

Mr. O'Donnell.—No.

Mr. Mathias.—This was merely from the engineering point of view?

Mr. O'Donnell.—Only from the evaporation point of view.

Mr. Mathias.—Was that in order to secure a safer bund?

Mr. O'Donnell.—No. The evaporation varying directly as the area and inversely as the depth, his idea was to have less area and greater depth, so that there might be less evaporation.

Mr. Mathias.—The idea was to conserve a greater quantity of brine.

Mr. O'Donnell.—Absolutely.

Mr. Mathias.—And not from the engineering point of view.

Mr. O'Donnell.—No.

President.—That was precisely the point I was discussing.

Mr. O'Donnell.—The trouble was that in those days there were no reliable evaporation data.

President.—Don't repeat that. They should not have proceeded without such data. If a man begins to construct a house without enquiring into the conditions he has to provide against—What can I say of him?

Mr. Hoyle.—The data which might have been available went back to a time long before the life time of our officers—at any rate long before they entered Government service.

President.—They had no data.

Mr. Hoyle.—It seems a trifle unfair to blame our officers.

President.—I am not blaming your officers at all. I don't care who is responsible for it. If you answer my question that no data were available, I say that the persons who were in charge of this project had no business to proceed without taking the most important factor into account from the salt manufacturing point of view.

Mr. O'Donnell.—They could not get them.

President.—They should have waited.

Mr. Hoyle.—There was one very important function which the dam was intended to perform. That was to prevent the available brine from dissipating itself over an area of 60 square miles.

President.—I am not discussing that part of the scheme.

Mr. Hoyle.—Is not that an important point?

President.—I am talking of the reservoir. I am not talking of the lake. I entirely approve of that proposition so far as I can understand it. The idea of conserving the brine as long as possible is a good one. But having done that what they did in my opinion and in the opinion of the laymen was not right that they should have this reservoir with this amount of evaporation surface. That is all I say.

Mr. Hoyle.—Probably they would have to wait for 30 years or so.

President.—Why should they wait 30 years? The data could have been collected in one year. They might not have been quite as accurate as those if they had been extended over 25 years.

Mr. Hoyle.—The data collected over a number of years would have been more accurate.

President.—Some data would be better than no data. To launch a scheme which cost Government so many lakhs is to my mind a thing which, if I were an Engineer, I would not do. That is all I would say.

Then as regards the process it is a very simple one. It is a matter of reservoirs, condensers and pans. It is not a process that requires very great training. Then it becomes an engineering work as to how you can get the best results. Even so, if you wanted a particular quality of salt, instead of doing what your forefathers had done all the time you would look to some other place where they were doing the thing in a better way. That I understand was not done in this case.

Mr. Hoyle.—None of our men went and saw any of the big works at Kharaghoda.

President.—It dates from prehistoric times.

Mr. Mathias.—Was there ever any suggestion to send an officer on deputation to Aden or to Port Said?

Mr. Hoyle.—Mr. Bunting did go there.

President.—That was after this was done.

Mr. McIver.—When the project was under consideration.

President.—That was after the project had been laid.

Mr. McIver.—Yes.

President.—When did he go? I may tell you, Mr. Hoyle, if Mr. Bunting had known anything about salt, he would not have gone just now to Europe to learn about salt manufacture.

Mr. Hoyle.—I quite understand that, but he did visit places outside India.

President.—If he did visit, could he not produce any better salt? All the imported salt is better.

Mr. Hoyle.—He visited the Red Sea Ports.

President.—Why did he not produce this salt? (Sample shown.)

Mr. Hoyle.—If he had found as a result of this visit that the original scheme could be improved upon, he would have modified the plans as he indeed constantly did. He constantly modified his plans.

President—When did he visit Europe?

Mr. Hoyle.—I did not say Europe. I said that he visited Aden and the Red Sea.

Mr. Mathias.—How long did he take?

Mr. Hoyle.—I don't know.

President.—When did he visit?

Mr. O'Donnell.—It is mentioned in his report.

Mr. McIver.—I think he went in 1919.

President.—This is his report (shown).

Mr. O'Donnell.—Apart from that there is a preliminary report. He mentions there that he had been to the French Works.

President.—What I say is Mr. Bunting was not a salt expert. He was an engineer. My question is, would anybody who was spending Rs. 50 lakhs to make a particular article employ a man who had never made it. That is all that I say. Supposing I was building a cotton factory and I got a man from the cement works to put it up and get me the best machinery. I don't think I would be doing the work which any reasonable man would approve. That is my comment on it.

Mr. Hoyle.—There were two objects in view. The first is the question of improving the quality of the salt.

President.—There was also the question of quantity.

Mr. Hoyle.—The idea was to stabilise the output, to guarantee Sambhar against partial failure of the monsoon. That was a very large object which has to a great extent been fulfilled.

President.—Yes.

Mr. Hoyle.—The second object was the storage part of it. Our salt used to be stored all round the lake.

President.—I agree with you. That is where the process is responsible. Because you have the accretion system, the storing arrangements had to be different. If you had spread out your manufacture over 6 or 7 months, you would remove the salt as it came along and you would be able to consign the salt as it was produced as other people are doing. That is the point. Without considering what was the best process which would lead to the best results, this project was proceeded with and completed as far as I can see.

Mr. Hoyle.—You suggest that salt ought not to be stored?

President.—What I want to point out is this. Certain conditions existed and remedies were found for those conditions. That is to say production could not be stabilised and the salt could not be stored. But whether there was room for any change in those conditions which caused these effects, that point was not considered.

Mr. Hoyle.—No.

President.—You started with two things. The accretion system was not the best system.

Mr. O'Donnell.—As a result of experience.....

President.—Where?

Mr. O'Donnell.—Here when we had a rotation of three crops a year we found that the quality varied. The first crop in the winter months was the best quality salt. The second crop was much finer grained salt. As the evaporation increased, and the precipitation increased correspondingly, the salt deposited was very much finer grained. Then when we came to June, we had a very fine grade salt. But we wanted one uniform quality and the accretion system gave it.

President.—Is this uniform quality? (Sample shown.)

Mr. O'Donnell.—That is the idea.

President.—Let me make myself quite clear. What I say is that sufficient investigation was not made on some important aspect as to whether there was any other process by which you could do it, whether there was any other method by which you could secure the same thing at less cost. I don't blame Mr. Bunting; I don't blame anybody. I am a lawyer. If your ask me to do a Doctor's work and if I do it, who is responsible? You are responsible because you put me there. It was for the people who are responsible for initiating the policy to consider all that. I don't blame the local management nor do I blame Mr. Bunting. It was the business of those people who initiated the policy to take the best advice that they could to see that the money was properly spent.

Mr. Hoyle.—In 1918 when the project was considered it did not occur to anybody that we ought to manufacture a different salt.

President.—Who was suggesting it?

Mr. Hoyle.—You say that if we had gone in for a different kind of salt.....

President.—No. The whole point is that you would have produced even more salt than you are producing now if you had thought of preserving your brine and applying your process. By a modification of the same process it was also possible to get a better salt. That is my argument. I am not prepared to accept that this salt could not have been improved. Nor am I prepared to admit that you could not produce more salt, because you have not conserved your brine. I may be quite wrong.

Mr. Mathias.—When you produced the three crops of salt in one year, were they all of one quality?

Mr. O'Donnell.—The quality varied.

Mr. Mathias.—What about the colour?

Mr. McIver.—The colour was darker.

Mr. Mathias.—What do you attribute that to?

Mr. McIver.—It is due to the pan bed. There must be a certain amount of absorption of the clay bed.

Mr. Mathias.—If you had improved your beds, would you have got that colour?

Mr. McIver.—You would have to have a cement bed or a solid bed of allied salts. At the same time that would prevent a certain amount of capillary attraction which goes on during the process of manufacture from the bed itself.

Mr. Mathias.—What about the storms that you told us about the other day?

Mr. McIver.—You get the dust in.

Mr. Mathias.—That would affect the colour.

Mr. McIver.—Yes.

Mr. Hoyle.—The question of the beds has to be carefully examined.

President.—We haven't got any data. You have not tried cement beds or firm beds either.

Mr. O'Donnell.—We have tried sanded beds.

President.—The percolation there would be too much. For any beds other than cement beds you would not have had the time because you would have to do it all before December practically.

Mr. McIver.—Yes.

President.—If you had any beds other than cement beds, it would take you time to make your beds firm. By that time your brine might evaporate altogether. That is out of the question. In Kharaghoda and other places they give about a couple of months to make new pans, stamp them down, puddle them and do all kinds of things which you could not afford to do.

Mr. Mathias.—In adopting the accretion system was the question of cost of production taken into account?

Mr. Hoyle.—The accretion system had been in force for a considerable time before the accounts were commercialized.

Mr. Mathias.—You had two systems—the accretion system which was worked by Government and the pan system which was worked by private individuals.

Mr. McIver.—Yes.

Mr. Mathias.—As a result of the experience of the two systems, did you form any conclusions as to the relative cost?

Mr. McIver.—I personally did not. If I am not mistaken the pan works were a bit more expensive.

Mr. Mathias.—What puzzles me is the reason for extending the accretion system to all the salt in Sambhar. What was the special advantage apart from the question of uniformity of grain?

Mr. McIver.—Bigger grains and harder crystals.

Mr. Mathias.—It was merely a question of quality and was not a question of cost.

Mr. McIver.—I cannot say whether the cost was taken into account.

Mr. Mathias.—There is nothing in the records to show that the costs were taken into account.

Mr. McIver.—I cannot say whether the question of cost was ever considered or not.*

Mr. Hoyle.—You wanted to know whether Mr. Bunting visited any of the foreign works. I find that he did visit one of the French Works in 1920. He writes from Toronto on the 13th January.

Mr. Mathias.—What company did he visit?

Mr. Hoyle.—Cie des Salins du Midi.

President.—I have not seen the works, but the methods I know are very different. In any case what I say is this: there was no salt expert to advise Mr. Bunting here except Mr. McIver, who was on the spot and I understand that Mr. McIver was not consulted.

Mr. McIver.—I had very little to do with it.

Mr. Hoyle.—Here is the paragraph: "All the Directors and Engineers of the French salines and also the Port Said salines agreed that stone pavement or concrete pavement of pans is not only financially impossible but of very doubtful desirability also. The best information obtainable is the practice at Girand en Camargne the largest saline in Europe. Here they have in a large number of their pans argillaceous sub-soil and to get clean salt it has to be treated as follows". Then he goes on to describe the process. Anyhow it seems that he did visit other works and go into the question of pans.

President.—Might I have the report?

Mr. Hoyle.—Certainly. (Handed in.)

Mr. Mathias.—He did not go into the reasons why the concrete pans were not possible.

Mr. Hoyle.—I have had no time to go through it.

Mr. Mathias.—If you are going to pave all your kyars with concrete the cost would be prohibitive.

Mr. Hoyle.—Yes.

Mr. Mathias.—When any particular manufacturer says that the cost of project of cement pans is prohibitive and out of the question, he probably refers to his own works.

Mr. Hoyle.—But it is also urged that it is undesirable.

President.—It is just like this. You ask a man whether hydro-electricity is cheaper or coal is cheaper. Electricity is cheaper to a man where there is no coal. If you ask another man who is in the midst of a coalfield, he will say hydro-electricity is not cheap. In the same way in France they have got a soil which is suitable and which does produce the results. Why should the engineer there recommend something else when he is satisfied with what he has got. The whole point is that when you haven't got that soil, what else should you do? What may be prohibitive and unnecessary in Europe may be very advisable in India. That opinion of an expert from outside who is advising on very different conditions is not conclusive.

Mr. Hoyle.—He not only cites the French people, but also the Port Said people.

President.—Very likely they have got favourable conditions. Here what are people doing? They are experimenting with soil. In Okha the beds are very different from what they have in Karachi. It is that sort of thing which was required before Government decided on a particular thing. It was for them to find out what under the peculiar conditions of Sambhar they should do. It was a very large sum of money that was in question.

Mr. Hoyle.—Certainly. I am afraid the attacks that have been launched against the Department in the Legislative Assembly would make it rather difficult to get money from Government for starting a new method.

President.—You cannot blame the Government or the Assembly.

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*NOTE.—It was.—A. L. Hoyle, Commissioner.

Mr. Hoyle.—The attacks were due to the unfortunate financial methods of Mr. Bunting.

President.—How can you blame the Assembly then?

Mr. Hoyle.—These attacks would not have been made if the Audit Officer had not discovered that the accounts of the scheme were kept in an irregular manner. It was that fact that inspired those attacks.

President.—I am not concerned with the attacks made in the Assembly or in the Public Accounts Committee. I am not proceeding on that footing at all. I have got no criticism to make about Mr. Bunting purely from the accounts point of view. If he has infringed the rules, that is not my business. The whole point is whether he gave the money's worth to the Government for the money that was actually spent. I don't mean that Mr. Bunting did not actually spend.

Mr. Hoyle.—My point is not so very far from yours. My point is this, that the scheme was defended very strenuously by Government. It was defended on the ground that although its execution was marred by financial irregularities, it was a useful and a valuable work. It had a difficult passage through the Public Accounts Committee. For that reason it might be somewhat difficult to induce Government to find funds for reconstructing Sambhar.

President.—I am not suggesting that. Once bitten, twice shy. That is what it is. I am not prepared to make any proposition which would induce Government to put in more money. I am only concerned with pointing out that there were things that were not sufficiently considered and that the scheme was rushed through.

Mr. Hoyle.—One lives and learns. Science is constantly progressing. The new ideas are more modern than the ideas of 1918-19.

President.—There have not been very great changes.

Mr. Hoyle.—I am speaking of 1918-19.

President.—Whatever the time at which you devise a scheme, the ordinary precautions must be taken which are you must get the best advice that you can afford in the world, you must examine from all points of view—not only from one point of view, but from several points of view—and you must see which is the best way of getting the best results. If you do all that, I have nothing to say.

Mr. Hoyle.—I think that a genuine attempt was made to get the best advice available, but it is possible that the advice was mistaken.

President.—I put it to you again that an irrigation engineer is not an authority on salt working. If Government did not consult a salt engineer or a salt maker, it omitted the first important step that any business man would take. That is all that I say. You are not able to tell me that they did consult a salt expert here on the spot. Did they do it before the scheme was really sanctioned and carried through?

Mr. Hoyle.—There was the accumulated wisdom, born of many years' experience, of our officers in Sambhar by whom Mr. Fergusson was advised.

President.—I would have left the Salt Officers in Sambhar to do the salt part of the work. I gather that Mr. McIver was not consulted.

Mr. Hoyle.—Mr. Fergusson probably consulted Mr. McIver.

Mr. McIver.—No.

Mr. Mathias.—From whom did the accretion process originate? Who was responsible for converting the works into the accretion system? Was that Mr. Fergusson's idea. Whose idea is this?

Mr. Hoyle.—The scheme of abandoning the pans altogether?

Mr. Mathias.—Yes, and adopting the complete accretion system?

Mr. McIver.—One of the reasons for that coming in was shortage of labour. When we had the accretion system working at the same time as pan works, the pan works used to absorb a very fair amount of labour which could have been better kept in the kyar works, where the accretion system was in vogue.

Mr. Mathias.—Labour could have been imported.

Mr. McIver.—It was very hard to get labour at that time.

Mr. Mathias.—How many men were employed in the pan works? Have you any idea?

Mr. McIver.—In round figures I should say about 1,200 men in the various pan works.

Mr. Mathias.—We find that in some of the pan works producing 60,000 tons only about 300 men are employed.

Mr. McIver.—Yes, for manufacture. There was a contractor and a party which was working with him. They had to bring the salt to the storeyards from the pans and salt had to be stored. Labour which could have been kept in the accretion works was engaged on all that work. So we gradually abandoned the pan system.

President.—We are apt to attach too much importance to the question of labour. This is a very inferior kind of labour. You can get it anywhere. People are apt to say that labour is a difficult question. If you cannot get labour, you must devise methods which can do away with labour. Throughout the enquiry they had made too much of labour. In fact Mr. Strathie reported against the manufacture of salt at Karachi because there was no labour available. But we have found that any amount of labour is available. Anyhow in making a project if you find any difficulty about labour, you have to find some other alternative.

Mr. McIver.—Yes.

Mr. Mathias.—Was the accretion system adopted as a result of the experience of the officers at Sambhar? Am I right in forming that opinion?

President.—In this report of Mr. Bunting which you gave me the other day, Mr. Bunting disposes of the accretion system in one paragraph.

Mr. O'Donnell.—The accretion system is much more economical.

Mr. Mathias.—Mr. McIver said that it was not on the ground of economy that the accretion system was introduced.

President.—This is what Mr. Fergusson says in his preface to Mr. Bunting's report. One of the terms of reference was to experiment thoroughly with the accretion system, but I do not know what experiments were carried out. This is what Mr. Fergusson says: "to experiment with the hardening of pan floors with the objects of obtaining better salt, of permitting levelling and proper flushing, of saving the large percentage of output trodden by the labourers into the soft slushy beds and of facilitating the adoption of the accretion system of manufacture". This is what Mr. Bunting says: "This is a manufacturing problem. The accretion system is in full swing and yielding good results, the only diversity of opinion being as to whether shallow charging and frequent replenishing or deep charging and less frequent replenishing give the best results".

Mr. Mathias.—What about the experiments?

President.—From the outset it was found physically impossible to construct stone or concrete floors for the pans and moreover the effect on the crystals of such a flooring would probably be bad. Then, he goes to describe. There is no evidence of any experiments in this. There may be other documents which may contain but I have not gone through them. I asked you Mr. Hoyle to give me the block value. I asked you to find out how much money was spent in each year.

Mr. Hoyle.—These are the figures (handed in).

President.—How is this Rs. 54 lakhs derived? I think you have given that in your answers.

Mr. Hoyle.—Yes.

President.—Can anybody tell me this? What was the actual block value on the 1st of April, 1924? This is the estimated value I think.

Mr. Hoyle.—Yes.

President.—Who estimated it?

Mr. Hoyle.—The General Manager of the Division.

President.—Mr. McIver, did you do it?

Mr. McIver.—I was not here at that time.

President.—I want to know what was done. This Rs. 36,42,000 is the value on the 1st April, 1924. The expenditure on the improvement scheme was about Rs. 35 lakhs, by that date.

Mr. McIver.—Yes.

Mr. Muhammad.—The improvement scheme was Rs. 34 lakhs.

President.—How did you arrive at that?

Mr. Muhammad.—We took the actual expenditure on the improvement scheme.

President.—What did you allow for the improvement scheme which had cost Rs. 34 lakhs by then?

Mr. Muhammad.—The total expenditure according to the revised figures was Rs. 36 lakhs and odd including minor manufacture works.

President.—The actual expenditure was Rs. 35,24,000.

Mr. Muhammad.—Rs. 36 lakhs and odd was the expenditure on the improvement scheme including minor manufacture works.

President.—You have taken that.

Mr. Muhammad.—We have taken the whole thing, *i.e.*, the outlay up to 1924.

President.—In the valuation how much did you allow on the improvement scheme?

Mr. Muhammad.—The whole thing was taken. The improvement scheme was finished in 1924. So, whatever the expenditure was taken at the book value.

President.—At the book value?

Mr. Muhammad.—Yes. Of course, certain amount of deduction was made in the case of plant and machinery.

President.—Plant and machinery I have not come to yet. This is all buildings.

Mr. Muhammad.—Rs. 36 lakhs includes everything.

President.—It does not. Plant and machinery is Rs. 5 lakhs.

Mr. Muhammad.—The total cost of the improvement scheme was Rs. 36 lakhs, including everything.

President.—You allowed the actual cost in your estimate.

Mr. Muhammad.—Certainly.

President.—For plant and machinery, what deduction did you make?

Mr. Muhammad.—No proper formula was given. We cannot say that deduction was made for it on any particular principle.

President.—But no deduction was made at all for these other works.

Mr. Muhammad.—No, because the other works were continued up to 1924 and therefore no depreciation was allowed.

President.—What I want to know is whether Rs. 54 lakhs is the block value.

Mr. Hoyle.—Yes.

President.—I want to know how that is arrived at. Let me put it this way. So far as the other works were concerned, you took the actual book value.

Mr. Muhammad.—Yes.

President.—That came to Rs. 36 lakhs in 1924. Is that correct? I mean the other works. Some other buildings were Rs. 4 lakhs at that time. Were the buildings valued by you?

Mr. Muhammad.—We took the actual value.

President.—How did you get the value on 1st April?

Mr. Muhammad.—There were some deductions on account of depreciation on the buildings.

President.—What did you take as the original value?

Mr. Muhammad.—The original value was taken as it was in the books.

President.—And you allowed depreciation on that?

Mr. Muhammad.—Yes.

President.—That had no reference to the market value.

Mr. Muhammad.—No. Whatever was done before the improvement scheme was continued after the improvement scheme.

President.—What was the total cost of the improvement scheme itself?

Mr. Muhammad.—Rs. 36,19,000 in four years.

President.—This would include other works, plant and machinery, etc.

Mr. Muhammad.—Yes.

President.—Will you please give me a statement under the following heads:—

Book value of plant and machinery, etc., before 1920.

Cost of the improvement scheme up to 1st April 1924.

Expenditure from 1st April 1924.

Revaluation on 1st April 1924.

Also recent revaluation.

Mr. Muhammad.—Yes.

Mr. Mathias.—This is from Mr. Fergusson's report on Mr. Bunting's report: "The accretion system of working followed in the Kharaghoda well brine works in the Runn of Cutch, under which a level of three inches in the pans at the beginning of the season is gradually raised by daily irrigation to 9 or 12 inches at its close and a single crop gathered in April, though well known to Sambhar officers as yielding a largely increased outturn and though *primâ facie* suitable to Sambhar conditions had always been disapproved for the lake on the ground that it required sedimentation pans as well as raking of the pans—impossible in Sambhar owing to the slushy black mud of the beds—and, especially in recent years, through fear of the delay in extraction creating a concentrated demand for labour in the hot weather which it might be impossible to meet". Apparently according to this passage Mr. Fergusson thought that the accretion system was quite unsuitable.

Mr. McIver.—That was with reference to the slushy beds. Afterwards in order to get over the slushy beds, sand was placed in those beds and the pan was charged. It remained slushy for a while. The action of the sodium which is cohesive brought the particles of the sand together, thus hardening the bed a little bit, but not hard enough to carry that bed on for any long period of time. It is a case of our having to redo it every ten years or so. If we were to go on adding to these beds we would bring the bed of the pan to the top of the pan. What we should have to do then is to take out three or four inches of the bed and put three or four inches of sand in.

Mr. Mathias.—Have you done it?

Mr. McIver.—We are going to do it.

Mr. Mathias.—Is there any difficulty about the flooring of the kyars?

Mr. McIver.—In some of our pans, we have. Those we have not touched.

Mr. Mathias.—You extract by raking.

Mr. McIver.—People go in and rake it.

Mr. Mathias.—So, the difficulty to which Mr. Fergusson referred still persists.

Mr. McIver.—Yes.

Mr. Mathias.—Before the new system was introduced how did you manage?

Mr. McIver.—We had the same difficulty.

Mr. Mathias.—So, really the objection to which Mr. Fergusson referred is an objection to salt manufacture in Sambhar.

Mr. McIver.—We have always had that problem in certain pans. I won't say in all of them but in certain pans where we get to a soft portion of the lake.

Mr. Mathias.—He speaks as though the accretion system was something new to be introduced.

Mr. McIver.—The accretion system which we had was on a smaller scale than what we are working at now.

Mr. Mathias.—You had one or two crops.

Mr. McIver.—One or two or even three crops. Very little of accretion was done in those days.

Mr. Mathias.—Even when you had no accretion system, when you had floor beds and raked frequently, your salt was bad.

Mr. McIver.—The salt will suffer because of the bad bed.

Mr. Mathias.—It is an inherent defect in the soil of Sambhar.

Mr. McIver.—Yes. It is not all over the works. There are certain portions where we have that.

Mr. Mathias.—I don't quite follow. If this inherent defect existed why was it put forward as a reason against adopting the accretion system because it was a defect which applied to all systems.

Mr. McIver.—If you put it that way, it would.

Mr. Hoyle.—The scheme has been discussed in this note in somewhat greater detail (handed in).

President.—Whose note is this?

Mr. Hoyle.—Mr. Fergusson's.

Mr. Mathias.—There is one other small point which I don't quite follow in Mr. Bunting's report. He talks of the concrete pans affecting the quality of salt crystal. In what way?

Mr. McIver.—The crystals would be smaller and not have the same hardness.

President.—Before this system was adopted—I mean the new system—you did not have big grains apparently.

Mr. McIver.—In the kyars themselves we have had fairly big grains. For the ordinary pan works, we used subterranean brine and had smaller grain.

President.—What was the proportion between the two? How much did you get from the kyars and how much from the pans?

Mr. McIver.—Putting it in round figures, it would be in the proportion of 17 to 60. 17/60 was pan salt and 43/60 kyar salt.

President.—You had a very large percentage of small grained salt already before you discarded that.

Mr. McIver.—The traders did not approve of that.

President.—They still sold the salt.

Mr. McIver.—Yes. They themselves were against it in the old days.

President.—Don't you see the reason? You were charging the same price for both qualities of salt.

Mr. McIver.—The same price was and is being charged.

President.—They were getting a better price for the bigger grained salt and therefore they did not like this. They could not make money; that was the reason. The reason for their complaint was that there were two prices in the market.

Mr. McIver.—Another thing was that the cost of our pan salt was higher.

President.—Did Mr. Bunting actually make any experiments as Mr. Fergusson suggested about the accretion system?

Mr. McIver.—There were no actual experiments.

Mr. Mathias.—Mr. Fergusson suggetsed that the kyars should be located on a higher level. Was that ever attempted?

Mr. McIver.—Those were the new kyars that were built.

Mr. Mathias.—Is the floor of these better?

Mr. McIver.—It has a sandy floor.

Mr. Mathias.—Is it better as regards the accretion system?

Mr. McIver.—I am afraid the bed is not.

Mr. Mathias.—When was that initiated?

Mr. McIver.—The new kyar was brought into use in 1925.

Mr. Mathias.—That was part of the extension scheme.

Mr. McIver.—Yes, part of the improvement scheme.

Mr. Mathias.—It was not an experiment that was carried out.

Mr. McIver.—It was keeping the kyar in a higher level away from the soft mud.

Mr. Mathias.—In that sense this improvement scheme was experimental.

Mr. McIver.—The idea was to abolish the main line kyar.

Mr. Mathias.—Generally when you are constructing your works you will carry out experiments and then begin constructing. Here it seems that the reverse has been the case.

Mr. McIver.—It was due to the short period within which the whole thing was done.

President.—Who made the period short?

Mr. McIver.—I do not know.

Mr. Mathias.—It does seem strange that on that system the works in the end might be a composite scheme of experiments, some of which might fail and to that extent it might be prejudicially affected.

President.—It is a good thing that the Government have a monopoly in this salt because it can afford to make these expensive experiments at Sambhar. Sambhar salt would not have very much chance if it really came into competition. That is the strongest point that it has got in its favour.

Mr. McIver.—Yes.

President.—It does not come into any real competition with foreign salt?

Mr. McIver.—No.

President.—You are safe in that respect. There is no inducement for Government to improve the quality or to do anything. As regards this block value, I have asked for more information. Those other works mentioned are probably the reservoir and the kyars, I take it.

Mr. Muhammad.—Yes, and all the salt works.

Mr. Hoyle.—And the Central Store also would come under that.

President.—Plant and machinery are separate surely. Buildings are separately given.

Mr. Muhammad.—Yes.

President.—By stores you mean the ramps.

Mr. Muhammad.—Yes.

President.—You can mention them separately.

Mr. Muhammad.—Yes.

President.—What are these ramps made of?

Mr. Muhammad.—Three ramps are made of earth with stone facing. The middle bark of the Central Store is annually made of salt. The store is a masonry viaduct. The central store platforms are made of kankor with low level sidings.

President.—The construction of the works chiefly consisted of what material?

Mr. Muhammad.—Stone and lime.

Mr. Mathias.—Mr. Fergusson appears to have differed from the general opinion of the trade on this question of the large grained salt because he says in his report: "One of the reasons—apart from the expense—why nothing is done at Sambhar in the way of hardening the beds appears to be, so far as I can make out, that the Department has embraced the heresy—rife here, as among Madras private manufacturers, though without the same excuse of sale by measure instead of by weight—which holds that the light large grained grey salt gathered off mud is in itself better than the heavy small grained white salt gathered off hard, and especially off sandy beds".

President.—That is the heresy of which Mr. Hoyle was a little while ago guilty.

Mr. Mathias.—Then, Mr. Fergusson goes on "Madras is strenuously fighting the heresy among its private manufacturers: the Northern India Salt Department should never have fallen into it". So Mr. Fergusson appears to be rather against this big grained salt.

Mr. Hoyle.—Even he must have come under that influence.

Mr. Mathias.—This is dated 29th November, 1918.

President.—At present you charge depreciation on these values at certain rates fixed by the Audit Department.

Mr. Hoyle.—As suggested by that Department.

President.—And approved by the Central Board of Revenue.

Mr. Hoyle.—Approved by the Finance Department.

President.—Finance Department or the Central Board of Revenue?

Mr. Hoyle.—I think that it goes to the Finance Member.

President.—The Finance Member is advised by the Central Board of Revenue

Mr. Hoyle.—Yes, but he may resist their recommendations.

President.—That is the ordinary way. I take it that the Central Board of Revenue are the principal advisers in this matter.

Mr. Hoyle.—Yes.

President.—As far as I can see at this end, the management has simply got to take what the Finance Department or the Central Board of Revenue says, in the matter of depreciation. You have no voice in the matter.

Mr Hoyle.—I think that they consult us from time to time about such matters. We have protested occasionally against their decisions.

President.—In the long run you have to accept their figures for depreciation.

Mr. Hoyle.—Yes.

President.—They say "this is your depreciation which should go into your costs". You are responsible for the costs, though you have nothing to do with part of it which forms a good bulk. The rates are prescribed by them and then you add the charges to your works costs and then get the final price.

Mr. Muhammad.—We are fighting about depreciation. A certain rate was fixed by the Audit Department for plant and machinery and we are fighting that the rate should be revised. But it is the Auditor General who is fixing the rates.

President. You charge 5½ per cent. interest.

Mr. Muhammad.—5½ per cent. or whatever figure is given by the Auditor General. On the block value up to 1924, interest is charged at 4½ per cent., and after that it varies and comes to about 5½ per cent.

President.—That is what you have got to add to your costs.

Mr. Muhammad.—Yes, at present depreciation is calculated under the diminished value method. We are suggesting that it might go on according to the straight line method.

President.—That is as regards the block value.

Mr. Muhammad.—Yes. In our department the diminished value system is in vogue.

President.—Not on the book value.

Mr. Muhammad.—No.

President.—On what do you charge depreciation? Do you do it on the depreciated value every time?

Mr. Muhammad.—Yes, 2½ per cent. on buildings, 10 per cent. on plant and machinery.

President.—Depreciation diminishes as you go on.

Mr. Muhammad.—Yes. Instead of finishing the whole thing in 10 years, we take it on to about 34 years on the diminished value system, depending on the wear and tear and use of the article.

Mr. Hoyle.—Certain instructions were issued direct from the Audit Officer in the year 1924 about depreciation and interest. (Read paragraph 2 of that letter.) I don't think that we would accept now-a-days such orders.

President.—You mean from the Audit Department.

Mr. Hoyle.—Yes. As to the method of keeping accounts, we take orders from the Audit Department. But on a matter of principle like this we don't take orders from the Audit Department.

President.—We follow rather a different method. We don't go on your book value. We go by this. We say if a reasonably minded man wanted to build a salt works or whatever works it may be which would give him such and such production, the works ought to cost him so much. We allow a depreciation on that value which we consider would be the value to a man proceeding on a commercial basis with his works. We also allow a return only on that amount even if he had spent five times the amount that we think is reasonable. Here we have no means of finding out really what it would cost, but I don't think that any man would reconstruct the works on the same lines as yours. Therefore it is impossible for us to come to any decision on that point. What amount of depreciation is allowed on the kyars?

Mr. Muhammad.—2½ per cent. was included in our works including the permanent way, track, etc.

President.—What do the kyars consist of?

Mr. Muhammad.—Earth work mostly. According to the recent orders that we got from the Government of India no depreciation will be calculated on the earth work and therefore we are trying to separate that.

President.—After 40 years if you had to construct the kyars, would it cost you the same?

Mr. Muhammad.—It all depends on the conditions then.

President.—What is the nature of the work done?

Mr. Muhammad.—Construction of pans, pitching, etc.

President.—What is the thing that you have got to renew? The pitchings would be there, the levels would be there. Everything would be there.

Mr. Muhammad.—In that case there would be renewal of pitching and repairs.

President.—Repairs would come under ordinary repairs.

Mr. Muhammad.—Yes, depreciation is the only thing.

President.—Once you construct the kyars all that you need do is to keep it in order.

Mr. Muhammad.—Quite so.

President.—Then the expenditure comes out of revenue.

Mr. Muhammad.—Exactly.

President.—Therefore I can quite understand that you are charging interest on capital, but why allow depreciation on a thing which does not depreciate.

Mr. Muhammad.—So far as the earth work is concerned there will be no depreciation. We have got orders to that effect.

President.—What remains?

Mr. Muhammad.—Masonry works and pitchings only.

President.—What was the cost of that compared to the total cost of the kyar?

Mr. Muhammad.—About 50 per cent.

President.—That is pure masonry work.

Mr. Muhammad.—Also dry stone pitching.

President.—Do stones get worn out?

Mr. Muhammad.—Certainly.

Mr. McIver.—There would be wear and tear on those things.

President.—But it would be nothing like wear and tear on an ordinary building

Mr. Hoyle.—I think so.

President.—I am asking you. I do not know.

Mr. Muhammad.—It would not be much. As regards this point about depreciation, I want to point out this. The Audit Department raised an objection and said that our transport system was running at a loss. We proved that it was not running at a loss. In that case they took the depreciation on locomotives at 10 per cent. We said that the depreciation should be calculated at 2·85 per cent. on locomotives, because we maintained them and all the expenditure incurred in respect of their overhauling would go to the revenue account. Therefore there is no depreciation.

President.—There is.

Mr. Muhammad.—But not so much as 10 per cent.

President.—If you depreciated a thing at 10 per cent., and you spent anything on its maintenance, then it ought to come out of the depreciation fund

Mr. Muhammad.—Provided you changed the locos.

President.—You charge a high rate of depreciation and at the same time spend a good deal of money out of revenue.

Mr. Muhammad.—Yes. But that revenue has been charged to our annual expenditure.

President.—In the statement that you have promised, please let us have your point of view as regards depreciation. A brief note will be of help.

Mr. Muhammad.—Yes.

Mr. Mathias.—Can you prove that since the accretion system was introduced, the crops have actually increased. Mr. Fergusson speaks of double crop. If you were producing 50,000 tons before the improvement scheme, you ought to produce 100,000 tons after the improvement scheme.

Mr. Hoyle.—We have got records showing the output year by year.

Mr. Mathias.—Can you get out a short note based on the previous production of salt and any experiments which were undertaken as regards the accretion system to prove either that the accretion system has enabled you to produce more, produce the same or produce less? It would be most useful if you could.

Mr. Hoyle.—Yes.

President.—Are you spending any money out of the depreciation fund on capital works?

Mr. Muhammad.—Not so far.

President.—Before embarking on any fresh capital expenditure out of the depreciation fund, it would be worth while for Government to take expert advice when the fund has accumulated to see whether it could not get something better done with the money. I hope that they would then take care that the new capital works are more modern.

Mr. Hoyle.—Mr. Bunting himself was not so blind as the Board at first seemed to think.

Mr. Mathias.—Mr. Fergusson in this note continuously speaks of experiments.

Mr. Hoyle.—It seems that he was not allowed any funds for experiments. Mr. Bunting's recommendations were generally accepted.

President.—Who was in charge of the department before the Central Board of Revenue?

Mr. Hoyle.—It was under the department of Commerce and Industries (as it was then).

President.—Was Mr. Bunting selected by the Commerce Department?

Mr. Hoyle.—Yes, it must have been so. I do not know who selected him. His own local Government might have selected him.

(*Afternoon.*)

President.—You have what you call the overhead charges, that is to say depreciation and the return on capital. There are certain other charges which I say are allocated in certain proportions—the Commissioner's Office and the Audit.

Mr. Hoyle.—Yes.

President.—Those are the only two allocations.

Mr. Hoyle.—Yes.

President.—9/10th of the Commissioner's Office charges are allocated to manufacture.

Mr. Seth.—Yes. The nine-tenths are debited to each source in proportion to the total ratio of revenue expenditure.

President.—What do you mean by the revenue expenditure?

Mr. Seth.—Recurring expenditure and not capital.

Mr. Hoyle.—If the total expenditure is Rs. 25 lakhs, if of that Sambhar is Rs. 8 lakhs and Khewra Rs. 12 lakhs and Warcha Rs. 2 lakhs, the share of the Commissioner's office is debited to each in that ratio. These figures which I have given bear no relation to the actual facts.

Mr. Mathias.—What is revenue expenditure? You mean expenditure charged to revenue.

Mr. Seth.—Yes. Our expenditure is classified under two heads. One is revenue and the other is capital.

President.—On what principle is this nine-tenths based? Are you a manufacturer or a preventive Officer?

Mr. Hoyle.—Both, nine-tenths manufacturer and one-tenth preventive officer.

President.—What are your other duties besides manufacturing?

Mr. Hoyle.—Administration and control of the staff.

President.—Of the works you mean?

Mr. Hoyle.—I mean the establishment. I am responsible for the posting of clerks and officers. I am also responsible for taking any disciplinary action if and when occasion arises.

President.—What is the total of preventive expenditure for this Division? Is this preventive establishment given in the Administration Report for the year 1927-28?

Mr. Seth.—Yes.

President.—That comes to only under Rs. 4 lakhs. It is not a very big preventive establishment.

Mr. Seth.—That is about the total.

President.—That is confined practically to all the works.

Mr. Hoyle.—No. We have got an internal branch which controls the saltpetre industry in the United Provinces and the Punjab. To regulate that industry and safeguard the revenue, we have a staff—an Assistant Commissioner, 3 Superintendents, a Deputy Superintendent and a number of Inspectors.

President.—What is the revenue that you get from the Saltpetre industry?

Mr. Hoyle.—It is very variable. In fact the Saltpetre industry has been going through a period of depression of late.

President.—There is no question really speaking of smuggling. There are very few salt works and most of your preventive establishment is round about your salt works and your saltpetre works.

Mr. Hoyle.—Yes; we have also a great deal in the Salt Range.

President.—The whole of that cost is Rs. 4 lakhs a year.

Mr. Hoyle.—Sambhar bears very little of it—a bit under Rs. 9,000, Pachbadra Rs. 6,999, Khewra Rs. 71,540, Warcha Rs. 40,000 to 50,000, internal branch Rs. 1,18,000 and Kohat Rs. 1,65,000.

President.—So that it is about Rs. 4 lakhs.

Mr. Hoyle.—Yes.

President.—Your total revenue expenditure is about Rs. 36 lakhs, so that is the proportion.

Mr. Hoyle.—Yes.

President.—The next biggest single item is treaty payments.

Mr. Hoyle.—Yes.

President.—As regards Sambhar there are various treaties that apply to the whole of the Rajputana salt sources.

Mr. Hoyle.—Yes.

President.—A certain amount is fixed.

Mr. Hoyle.—Yes.

President.—There is also a fluctuating amount.

Mr. Hoyle.—Yes.

President.—As regards Sambhar, I think you pay Rs. 4 lakhs altogether. Rs. 4 lakhs is payable by Government of which Rs. 3 lakhs is debited to manufacture.

Mr. Seth.—Yes.

President.—Sambhar includes Nawa and Gudha.

Mr. Hoyle.—Yes, it does.

President.—Can you explain to me how this allocation is made of Rs. 3 lakhs?

Mr. Hoyle.—I can give you no more than is indicated in our standing orders.

Mr. Mathias.—That is the last decision arrived at after full discussion in 1911.

Mr. Hoyle.—Yes.

President.—What are your standing orders? Unfortunately Appendix III doesn't say very much. In one place it mentions Sambhar and in another place it mentions Gudha, Pachbadra and Didwana.

Mr. Hoyle.—Sambhar, Pachbadra and Didwana are one Division.

President.—It is very difficult to follow how the allocation is made. The three lakhs of rupees which is the fixed sum payable is allocated to manufacture. I do not know what the total of the treaty payments is.

Mr. Hoyle.—We are not in possession of the records which would give a key to this.

President.—We want to know whether the allocation is right if we are to determine a fair selling price. Who can give this information?

Mr. Hoyle.—The Foreign and Political Department decided the amounts payable, in consultation with the States concerned.

President.—You see that the whole of this is debited to salt. Therefore it is the Salt Department which ought to be able to tell us. The political departments make the treaties, but it is the Salt Department that pays the amount. The total amount paid in 1927-28 was Rs. 35 lakhs out of which Rs. 10 lakhs was debited to manufacture and the rest to revenue. Therefore it is the Salt Revenue Department which ought to be able to tell us how that is done. Your Administration Report shows the amounts.

Mr. Hoyle.—We can tell you what the exact payments are.

President.—What I want to know is what is the total amount payable in respect of Sambhar. The treaties you refer me to are only two.

Mr. Hoyle.—There are three, this is Mr. Price's summary.

President.—It would be better if you could supply me with this information later.

Mr. Hoyle.—I shall try and supply you with as much information as we can procure. We have got very little literature bearing on this expenditure.

President.—What we want to know is the total payment payable in respect of these sources including Sambhar, Gudha and Nawa.

Mr. Hoyle.—Yes.

Mr. Mathias.—What we want is the fixed payment in respect of that.

President.—Then how the actual allocation is made. You have given us Rs. 3 lakhs as being the figure debited to manufacture. On what principle is this amount allocated to manufacture out of the fixed payments.

Mr. Hoyle.—The total given here is Rs. 15,94,163.

President.—The same information as regards Pachbadra. Is there a fixed payment as regards Pachbadra?

Mr. Hoyle.—Yes.

President.—Are there any orders about the allocation of Pachbadra?

Mr. Seth.—The fixed payment of Rs. 3 lakhs should be distributed amongst the three sources, *viz.*, Sambhar, Pachbadra and Didwana according to the quantity of salt issued.

President.—What is the fixed royalty payable by Government in respect of Pachbadra and how allocation is made?

Mr. Hoyle.—I will send you the information later on.

President.—As regards the quota of the royalty: it is paid on Sambhar Gudha and Nawa on all clearance in excess of 17 lakhs of maunds.

Mr. Seth.—Yes.

President.—The royalty payable is 40 per cent.

Mr. Seth.—Yes, 40 per cent. of the issue price.

President.—⅝ths to the Jodhpur Durbar and ⅜ths to Jeypore Durbar.

Mr. Seth.—Yes.

President.—As regards the fluctuating royalty payable to Pachbadra?

Mr. Seth.—There is no royalty.

President.—Is there not an agreement which says that the profits ought to be shared or some such thing?

Mr. Hoyle.—The British Government agreed to deliver only 2,25,000 maunds of good salt in half-yearly instalments at a price not exceeding As. 8 a maund.

Mr. Mathias.—The price should not exceed As. 8 a maund.

Mr. Hoyle.—Yes.

Mr. Mathias.—That gives a good margin.

Mr. Hoyle.—Also we give them 10,000 maunds free of all charges.

President.—That is not included in the royalty that you have mentioned.

Mr. Seth.—No.

President.—In 1928-29 the total fixed royalty was Rs. 3 lakhs?

Mr. Seth.—That was the treaty payment.

President.—What about the fluctuating royalty?

Mr. Seth.—Rs. 7,10,000.

President.—What is this Rs. 2,62,000?

Mr. Seth.—That may be the allocation of the treaty payments.

President.—The share of Sambhar is Rs. 2,62,825.

Mr. Seth.—Yes, and the fluctuating royalty is about Rs. 7,10,000.

President.—The total is roughly Rs. 9,73,000.

Mr. Seth.—Yes.

President.—On the basis of 71,21,000 maunds issued from Sambhar, 3,25,000 maunds from Didwana and 6,95,607 maunds from Pachbadra?

Mr. Seth.—Yes.

President.—In addition to that you supply free salt.

Mr. Seth.—Yes.

President.—How much salt did you supply to Jodhpur and Jeypore in 1928-29?

Mr. Seth.—It is given in the Annual Report.

President.—Salt free of both price and duty.

Mr. Seth.—Yes.

President.—Is it given on page 46, Appendix V?

Mr. O'Donnell.—Page 47 gives information.

President.—How much is that?

Mr. O'Donnell.—As regards Jeypore they were due 14,000 maunds whereas they only claimed 7,000 maunds.

President.—Jodhpur gets 2,25,000 maunds of which 14,000 maunds is free of price and duty.

Mr. O'Donnell.—Yes.

President.—So that these payments amount to another Rs. 15,000.

Mr. Hoyle.—Under the original treaty with Sambhar we were to give 1,72,000 maunds, and 4 lakhs under the agreement. The Agreement has taken the place of the treaty.

President.—What is the equivalent in money of the salt that you supplied to the Jodphur Durbar and Jeypore Durbar from Sambhar—

(*a*) free of duty,

(*b*) free of price and duty.

That is an additional royalty which is thrown on manufacture.

Mr. Hoyle.—Do you mean the free salt that they get?

President.—Yes.

Mr. Hoyle.—It is.

President.—What it comes to is this: taking it in round figures for your 71 lakhs of maunds that you sold, you would realise about Rs. 18 lakhs of which you hand over nearly Rs. 10 lakhs to the States for royalty.

Mr. Hoyle.—Yes.

President.—It seems that this is the highest royalty that we have come across in our experience. You pay half the realisation.

Mr. Hoyle.—That was the price we had to pay for the suppression of salt manufacture in the States.

President.—The whole point arises whether this should be debited to manufacture.

Mr. Hoyle.—Yes.

President.—It is a very high royalty. On the present prices it is As. 2 a maund out of As. 5 plus fixed royalty. It is only 3½ pies in Aden and As. 8 a ton elsewhere. It is only As. 10 a ton that is paid by the Okha Salt Works to the Baroda State. Here it works out to nearly As. 3 a maund. It is nearly 65 per cent.

Mr. Hoyle.—Yes.

President.—The total amount of the royalty payable will be more.

Mr. Hoyle.—Because the issue price has gone up.

President.—Every time you increase the price, 40 per cent. goes by way of royalty.

Mr. Hoyle.—Yes.

President.—So that if you wanted 100 per cent. increase for yourself, you have to increase it by 135 per cent. What voice did you have in this? Have you raised this question at all?

Mr. Hoyle.—Up to the present my office has not been able to trace the orders about the allocation.

President.—That disposes of the overhead charges. Let us now go into the works costs. Which form shall we take? What is this column that you have got "Pay of Establishment"? Pay of what?

Mr. Seth.—Pay of officers.

President.—In this works labour the first item you have included is manufacture and excavation. That is labour paid by the piece work.

Mr. Hoyle.—Yes. It represents what is paid to the contractor. It is so much per 1,000 c. ft.

President.—How much was your production this year?

Mr. Seth.—67,20,425 maunds.

President.—What I wish to know is whether anything could go down? Does that represent your maximum capacity or is there any *room* for expansion supposing you don't change your methods.

Mr. Hoyle.—It is not our maximum.

President.—What can be your maximum production in a normal year?

Mr. McIver.—75 to 80 lakhs of maunds.

President.—With the quantity of brine available now.

Mr. McIver.—Yes.

President.—There is some brine left over at the end of the season. What happens to that?

Mr. McIver.—I wouldn't say that there is much brine left over.

President.—I mean when you finish manufacture.

Mr. McIver.—There will be no brine.

President.—How will you increase it?

Mr. McIver.—The sub-soil brine is there. All that is available.

President.—How will you increase your output to 79 to 80 lakhs of maunds?

Mr. McIver.—With the existing works we have got in the past 79 to 80 lakhs of maunds.

Mr. Mathias.—This year is subnormal.

Mr. McIver.—Yes.

President.—What output shall we take on an average?

Mr. McIver.—I put it at 70 lakhs.

President.—Supposing you are asked to produce the maximum that the works can produce.

Mr. Hoyle.—It depends to a certain extent on the weather.

President.—It would not be safe to budget for more than 70 lakhs.

Mr. McIver.—It would depend upon the conditions of the lake at that time.

Mr. O'Donnell.—We forecast conditions as far as possible taking the actual quantity of the brine at the end of September. That is the only criterion.

President.—Supposing you have to make an estimate extending over a period of 5 or 10 years?

Mr. O'Donnell.—That might be difficult. It all depends on the rainfall.

President.—But you must be able to say.

Mr. O'Donnell.—70 lakhs would be reasonable.

President.—With reasonable rainfall.

Mr. McIver.—Yes.

President.—Supposing there was no rainfall.

Mr. O'Donnell.—Nil except from sub-soil brine.

President.—I am not sure. I remember reading somewhere that even if the rains failed in one year, you would still have your brine.

Mr. Hoyle.—You are speaking of a partial failure and against that the security is the improvement scheme.

President.—You are using the whole brine. What is the security?

Mr. Hoyle.—We have more security now than we had. Whatever brine we had was dissipated before.

President.—You have not increased the quantity of brine.

Mr. Hoyle.—We have cornered it.

President.—That brine you are now collecting. You have done nothing more than that.

Mr. Hoyle.—No.

President.—I think it is stated somewhere that even if the rains fail, there would be still brine.

Mr. Hoyle.—I don't think that whoever made that statement referred to an absolute failure of rainfall.

President.—Anyhow the position is this that if the monsoon failed then you will have to depend on sub-soil brine.

Mr. McIver.—Yes.

President.—In any case the brine available in a normal year cannot be depended on for more than 70 lakhs of maunds a year. Is that right?

Mr. McIver.—Yes. We took 70 lakhs as an all round average.

President.—Before this big scheme came into operation in one year you produced about a crore of maunds.

Mr. Hoyle.—1 crore and 12 lakhs. That was the result of a flood.

President.—What it was expected to do was very much more than it has done.

Mr. Hoyle.—Do you mean the improvement scheme?

President.—Yes. What was it expected to do? What is your idea of it?

Mr. Hoyle.—It was expected to conserve the brine, that is to say to concentrate the brine in a comparatively small section of the lake instead of dissipating it over a large area.

President.—Provided the rainfall was normal.

Mr. Hoyle.—No. Its value would be more appreciated in a year when the rainfall was short. If the rainfall was short a comparatively small quantity of brine if spread over a small area would be more useful than the same quantity spread over a large area.

President.—Can you give me the average production, say, of the last 10 years preceding the improvement scheme?

Mr. Muhammad.—We have got figures for 20 years.

President.—Will you give me those figures?

Mr. Muhammad.—Yes (shown).

President.—What has been your actual average?

Mr. Muhammad.—Do you want for 5 years from 1921 to 1926?

President.—I want to know by how much you have increased your average production.

Mr. Muhammad.—By 20 lakhs.

President.—What you have done is that you added 20 lakhs to your output.

Mr. Hoyle.—Yes.

President.—That is to say if these works had not been undertaken, your output would have been 20 lakhs less.

Mr. McIver.—Yes.

Mr. Muhammad.—The new kyar gives us only 5 lakhs maunds of salt.

President.—You can count on an average of 70 lakhs now against an average of 50 lakhs before.

Mr. Muhammad.—Yes.

President.—20 lakhs of maunds was obtained by an expenditure of 50 lakhs.

Mr. O'Donnell.—Another thing is it has enabled us to get better salt.

President.—You have not gained much. What it boils down to is this: the capitalisation if you are to calculate on the additional production that you get is all the expenditure included in the improvement scheme since the inception. Of course you added transport facilities which did not exist before. Did the transport equipment cost very much?

Mr. Muhammad.—About Rs. 12 lakhs including the permanent way and rolling stock and the lay out.

Mr. Dhawan.—There is one point which has not been mentioned. At that time, that is before the improvement scheme, the demand was not for more than 50 lakhs of maunds.

President.—On the actual figures?

Mr. Dhawan.—That is not the manufacturing capacity of the works at that period.

President.—What is the minimum production in one year in that period?

Mr. McIver.—The minimum is 30 lakhs.

President.—The average for 10 years was 52,00,000 roughly. The average for the last 5 years preceding the scheme was 59,22,000.

Mr. McIver.—Yes.

President.—So that the real gain is about 10,00,000 as compared with the previous 10 years. If you cut out the very abnormal year, the average output has not been increased so very much compared with the expenditure that has been incurred. Practically speaking the overhead charges before the improvement scheme must have been very small. By overhead charges I mean depreciation, interest on working capital, head office charges, etc.

Mr. Muhammad.—The departmental accounts were not commercialised before that period.

President.—You know what the capital expenditure was before. Even if the accounts had not been commercialised, the costs would have been lower. Can I have a copy of Mr. Bunting's explanatory report on the audit objection? It is really for the figures that I want. I don't wish to go into the controversy between Mr. Bunting and the Public Accounts Committee and the Audit people. I only want the figures.

Let us take the cost on an average production of 70 lakhs of maunds. Sometimes you will be able to produce more and sometimes less. But it would not be safe to take a higher figure than 70 lakhs.

Mr. O'Donnell.—That is right.

President.—Then the works labour in our form falls under two headings, manufacture (excavation) and carriage of salt.

Mr. Muhammad.—Yes.

President.—That is 5·64. That is all direct labour.

Mr. Muhammad.—Yes.

President.—When were the rates fixed?

Mr. Muhammad.—Every year tenders are called for and the lowest tender is accepted. It works out at about 5 pies per maund.

President.—How do you measure the work?

Mr. Muhammad.—By actual truck measurement. On that measurement the contractor is paid.

President.—Power and fuel—that is used for the power house.

Mr. Muhammad.—Yes.

President.—You have given the actual cost of the electrical current. Has the Audit Department passed rules about calculating the cost of the current in this case?

Mr. McIver.—Yes.

President.—What is the cost of the current according to audit.

Mr. Muhammad.—2·6 annas is the generating cost; As. 4 is the consumption cost. That includes depreciation, interest, etc.

President.—The works cost is 1·07 pies per maund.

Mr. Muhammad.—That is power and fuel alone.

President.—According to the audit how much is it?

Mr. Muhammad.—For 1928-29 the average rate comes to 2·6 as generating cost and 4·1 as consumption costs.

President.—What purpose does this serve?

Mr. Muhammad.—It enables us to know what we should debit to manufacture.

President.—We don't do that way. The biggest item is the pay of the establishment which you have put under general services and supervision. I take it that it is the permanent establishment.

Mr. Muhammad.—Yes.

President.—This Rs. 10,04,126, what establishment is this.

Mr. Muhammad.—Establishment consisting of Superintendents, Inspectors and so on.

President.—What is the strength of the establishment in Sambhar?

Mr. Muhammad.—I will send you a statement later on.

President.—What about weighment charges? Are they now included in the price?

Mr. Seth.—Yes.

President.—This work is done by the contractor.

Mr. Muhammad.—It is done by the contractor whom we pay at the rate of Rs. 10 per 1,000 maunds. That is the rate for this year.

President.—Has it been changed?

Mr. Muhammad.—Last year it was Rs. 12.

President.—Mr. McIver, is there any prospect of these costs being changed?

Mr. Dhawan.—I would like to point out one point in this connection. They formerly were paying Rs. 24. Now the charges have come down to Rs. 10 and yet they are charging 6 pies from the traders.

Mr. Muhammad.—This point has been taken up and the despatch charges may be reduced.

Mr. Seth.—Up till now we charged the whole sum. But in future we will charge the traders only $\frac{1}{6}$ of the weighment charges.

President.—You are making a good deal of profit in this.

Mr. Hoyle.—Yes.

President.—Does Government charge any interest on the capital that is locked up?

Mr. Hoyle.—Yes.

President.—Under what head does it come in?

Mr. Hoyle.—It is included in the interest on capital.

Mr. Seth.—That is only from last year.

Mr. Mathias.—You are charging interest on general stores, bags and salt.

Mr. Seth.—Yes.

President.—Government charge the same rate of interest as is charged on capital.

Mr. Seth.—Yes.

Mr. Mathias.—You don't charge interest apparently on the salt from the date on which it is delivered to the credit purchaser to the date on which it is paid.

Mr. Hoyle.—We only charge on the stock of salt at the beginning of the year.

Mr. Mathias.—It is a loss of interest which should be shown somewhere.

Mr. Hoyle.—I think so.

Mr. Mathias.—You are giving six months' credit and you have got to find the interest on that. As regards the cost price of salt that ought to be a charge on the manufacture. You are losing interest for so many months.

Mr. Hoyle.—*Primâ facie* it is so.

Mr. Mathias.—The audit has not managed to point that out somehow.

President.—What is the idea of the credit system? Does that make collection easier?

Mr. Hoyle.—It was elaborately justified in 1922 when it was introduced.

President.—It was introduced in Sir Malcolm Hailey's time when he was the Finance Member.

Mr. Hoyle.—I think in all respects we were then under the Department of Commerce and Industries.

President.—What was the idea of it?

Mr. Hoyle.—It was a concession to the trade really. I don't think there was any particular advantage to the Government from it.

President.—In fact there was a very great disadvantage.

Mr. Hoyle.—I am not in favour of the credit system.

President.—I think most of your transactions are on credit.

Mr. Hoyle.—Decidedly.

President.—What is the percentage?

Mr. Hoyle.—90 per cent.

President.—You lose 7 months interest practically.

Mr. Hoyle.—Do you mean at ordinary times?

President.—Yes, that is the minimum that you can lose.

Mr. Hoyle.—Yes.

Mr. Mathias.—What is the period of the credit? Is it 6 months?

Mr. Hoyle.—Yes, from the time the indent is accepted.

President.—It may be that that is the payment in advance.

Mr. Hoyle.—Yes.

President.—Neither the Government nor the dealer benefits unless you complete your indent within six months.

Mr. Hoyle.—No.

President.—I mean the money is locked up. That is the effect.

Mr. Hoyle.—That is really the effect.

Mr. Mathias.—If deliveries are made within six months from the date of the receipt of the indent, then the dealer gains.

Mr. Hoyle.—Certainly.

Mr. Mathias.—If it is more than 6 months the trader loses.

Mr. Hoyle.—Yes.

President.—What is the normal period between the receipt of the indent and delivery?

Mr. McIver.—About 3 months.

Mr. Dhawan.—The indents are cleared within 6 weeks or one month. We have the use of the money for 4 months.

President.—Now you have got no money with Government.

Mr. Dhawan.—That is true.

President.—You take the profit first in any case.

Mr. Dhawan.—Yes.

President.—But the profit would cover more than the interest.

Mr. Dhawan.—Sometimes.

President.—You will protect yourself in that way.

Mr. Dhawan.—Yes, but sometimes we may lose way.

President.—What it practically comes to is this: instead of taking cash with the order, you take securities with the order.

Mr. McIver.—Yes.

President.—I can understand cash with the order. But it is rather difficult to follow the credit with order. It is not known to the trader when you are going to deliver.

Mr. Hoyle.—No.

President.—That is one thing. Would it not be simpler if you really wanted to give him credit, he should put down so much with the order and so much credit for the balance after delivery. Would that lead to more speculation?

Mr. Hoyle.—I suppose it would.

Mr. Dhawan.—That is the system prevalent in Madras and Bombay.

President.—That was what I thought by credit. Does the credit begin to run from the date of delivery?

Mr. Dhawan.—In Bombay it is so.

Mr. Hoyle.—In this department it runs from the date of acceptance of the indent.

President.—Then it means that each department has its own ruling.

Mr. Hoyle.—Yes, decidedly.

Mr. Mathias.—So far as your costs are concerned, it comes to this. In normal times the traders have 3 months credit after delivery.

Mr. Hoyle.—3 or 4 months.

Mr. Mathias.—That means that you have got your money which you spent in the manufacture of salt locked up for three or four months more. Therefore if you are borrowing you would have to pay interest on that sum. So far as the accounts are concerned, you will be justified in charging 5 per cent. interest.

Mr. Hoyle.—I think so.

Mr. Mathias.—That would be practically 5 per cent. on one quarter of your production in a year.

Mr. Hoyle.—Yes.

President.—This question of delivery doesn't arise. Probably they are able to get delivery whenever they want.

Mr. Dhawan.—The period of credit begins to run from the date of delivery.

President.—In Bombay they have got enough salt to deliver.

Mr. Dhawan.—Yes. They get salt 2 weeks after indenting.

President.—What is the idea of having different rules in different provinces? Can you explain?

Mr. Hoyle.—I cannot. I think our credit rules are newer than others. It was found that the concession previously granted to the other provinces was an unduly big concession. Our rules give much less concession.

Mr. Mathias.—With a single body like the Central Board of Revenue in charge of salt throughout India, it is surprising to find these differences.

Mr. Hoyle.—Formerly the other provinces had nothing to do with the Central Board of Revenue.

Mr Mathias.—I thought that they would have revised the rules and made them uniform throughout India.

Mr. Hoyle.—For convenience or on grounds of policy.

Mr. Mathias.—I suppose I am justified in assuming that your present cost price had not taken into account the locking up of interest owing to this credit system. I think it would be fair to pass that on to the consumer.

Mr. Hoyle.—Yes.

President.—Now the position is, having allowed them to withdraw the securities, you have got no control over them. They can repudiate their indents.

Mr. Dhawan.—Certainly.

Mr. Hoyle.—Yes.

President.—Supposing the market dropped by 50 per cent., will you buy that salt?

Mr. Dhawan.—If we fail to give the security, when our turn for clearance comes, our indents ought to be cancelled. That is the understanding between the department and ourselves.

President.—If the market dropped, you will say, 'Thank you. We don't want'.

Mr. Dhawan.—Yes.

President.—How much indents still remain uncleared?

Mr. Hoyle.—About 30 lakhs of maunds. That is the figure for the 30th of November.

President.—I take it that the prices given in Appendix IX and also in your answer to the questionnaire are supplied by the District Officers.

Mr. Hoyle.—Yes, to my Assistant Commissioner in charge of the internal branch.

President.—Prices given by the Statistical Bureau are those compiled in your office from information given in the gazettes of the different provinces.

Mr. Hoyle.—Yes.

President.—It is the same gentleman who supplies information to both.

Mr. McIver.—Practically.

Mr. Hoyle.—Some may have been working perhaps on slightly different methods.

President.—The prices on the left hand side are the average.

Mr. Hoyle.—Yes, taken from the fortnightlies.

President.—The figures on the right hand side are given at the end of the year.

Mr. Hoyle.—Yes.

President.—All I can say is that these prices are not reliable.

Mr. Hoyle.—Possibly.

President.—As regards the prices that have now been fixed, had you any consultation with Government or did the Government fix prices of their own accord?

Mr. Hoyle.—I had no consultation with Government.

President.—Then on what information are these prices fixed? Have you any idea?

Mr. Hoyle.—The subject was discussed in the notes which I have shown confidentially to the Tariff Board.

President.—I cannot make use of any confidential information.

Mr. Hoyle.—No, and I can't make any statement.

President.—You cannot. Our position is very difficult in this respect. Except the Honourable Member's note the rest will be published in our proceedings. But then I cannot ask you many questions. The point however remains that the manufacturing end and practically the selling end too is not consulted by higher authorities.

Mr. Hoyle.—It was not consulted.

President.—I take it that the Central Board of Revenue would act on the information contained in these documents, Administration Reports. Have they got any other means of keeping themselves in touch with the markets?

Mr. Hoyle.—No. They could if they desired find out a certain amount by communication with the Income-tax Authorities.

President.—How can they find the prices from them?

Mr. Hoyle.—The Income-tax Authorities are in touch with the traders. Their accounts are inspected by the Income-tax Authorities. If they are not faked, it should be possible to ascertain at any rate what the wholesale prices are. They could be ascertained from fairly substantial merchants actually dealing in salt.

President.—So far as you know, do they?

Mr. Hoyle.—I am not aware that they have done so.

President.—The trouble is to get correct prices. I wish to know how they can be got.

Mr. Hoyle.—I have been asked by the Board to keep a watch on prices as far as possible. One of the means suggested to me was that I should ask Income-tax Officers to report to me any fluctuations and that I have done.

President.—Will you please let us have this information confidentially?

Mr. Hoyle.—It was only recently that I addressed Collectors and Deputy Commissioners asking them to report to me any sudden marked changes in the market and give reasons, but I have had no replies of any interest from

those officers. The prices as they appeared in the gazette are exhibited on a graph in my office room in Delhi. I am checking that information by reports from the Income-tax Officers.

President.—I should be very much surprised if you got it.

Mr. Hoyle.—The fact seems to be that the prices have not fluctuated very much in the last two or three months. They certainly went up a year ago.

President.—You say you would probably find that the prices have been so high that dealers won't change them very much, so that a slight variation of one or two annas would not be reflected in the prices.

Mr. Hoyle.—No.

President.—Does the Central Board of Revenue visit the Sambhar Lake?

Mr. Hoyle.—Yes, now and then. One member of the Board visited it in April last.

President.—From 1924, have you been here Mr. McIver. Do you know how many visits were paid and by whom?

Mr. Hoyle.—The best evidence would be the visitors' book in the Circuit House.

President.—Somebody will have to give me the information.

Mr. Muhammad.—Yes.

President.—As regards these indents from August 1928 to December 1928, the total number of indents came to about 51 lakhs.

Mr. Hoyle.—Yes.

President.—They jumped up to 89 lakhs.

Mr. McIver.—Yes.

President.—On the 1st of December it stood at 89 lakhs.

Mr. McIver.—On the 1st August it stood at 5 lakhs. On the 1st September it stood at 8 lakhs. On the 1st October it stood at 63 lakhs. On the 1st November it stood at 78 lakhs. On the 1st December it stood at 89 lakhs. The indenting was stopped on the 28th of November.

President.—In 4 months you had indents for 84 lakhs.

Mr. McIver.—Yes.

President.—At the time when there were indents for 84 lakhs, you had only 29 lakhs of maunds of salt.

Mr. McIver.—It came down to 29 lakhs, because there were clearances going on.

President.—On that date.

Mr. McIver.—Yes.

President.—What it meant was that until the new crop started coming in, you had only 29 lakhs to go on with against your indent of 89 lakhs.

Mr. Hoyle.—Yes, indenting was extraordinarily heavy.

President.—Did you report to the Central Board of Revenue?

Mr. Hoyle.—Yes.

President.—When the indents began to jump up in one month, you reported.

Mr. Hoyle.—In September there was a big jump.

President.—In September the indents jumped up by 55 lakhs.

Mr. Hoyle.—I don't remember that I reported periodically. I hope to be able to give you more detailed information as regards that to-morrow. But I should like to be sure.

President.—This jump of 55 lakhs was unusual. Could you not have stopped indenting?

Mr. Hoyle.—I certainly considered that. I did not want the price of salt to go up.

President.—Government themselves were speculating with very little on hand. You took indents which amounted to several times the amount available.

Mr. Hoyle.—My feeling at that time was that there would be a panic created and that the prices of salt in the market would rise above a reasonable level.

President.—One of the points that we are considering in the event of our recommending that the production of this salt ought to be encouraged is whether there should be some authority which would be able to control the market by balancing the supply and demand of the whole country. This experience is not an encouragement for us to say that Government ought to do that. I don't blame you at all. You are bound by rules. Even if you had wished to stop it, it was doubtful whether you would be able to do it without orders.

Mr. Hoyle.—When I came down here in November and when I was informed that somebody had put in indents for 40 lakhs, I decided that it was time to stop the indents. I did so and then I reported.

President.—It was a very good thing for you to have done.

Mr. Mathias.—Was there a stampede in the market?

Mr. Hoyle.—Prices did go up. What sent up prices was not that we stopped the indenting, but that the clearances were reduced from 200 to 80 wagons.

President.—Was any proposal considered how if the indents jumped up like that they were to be met by exploring other sources of supply?

Mr. Hoyle.—I was instructed that as much salt as possible should be extracted from Sambhar and Pachbadra. In 1927 we were informed that 3 lakhs of maunds should be taken to be the normal outturn in Pachbadra. I pressed the authorities to increase that amount. Previously, before this rush, I asked for a revision and got it increased to 6 lakhs. They then sanctioned an increase to 9 lakhs. That was all that I could do

President.—As I was suggesting yesterday in order to meet an unusual situation, unusual methods have to be adopted. One of them is the importing of foreign salt and putting it in the market, because the prices are very favourable on the whole.

Mr. Hoyle.—Do you mean Government should import and put it on the market?

President.—Yes.

Mr. Hoyle.—It may have been considered or it may not have been considered. I didn't think of it, I am afraid, and I was not consulted about it. I may mention a proposal which was raised at that time by the firm of Diwan Chand and Company that they should be allowed to re-open the salt works at a place called Sultanpur in Gurgaon District.

President.—It is just like digging a well to quench a fire.

Mr. Hoyle.—We could not get an additional quantity of 70 lakhs of maunds or anything like that in order to wipe off the deficit, except by adopting some such measures as you suggest. I do not know how it would work.

President.—You had 30 lakhs of maunds at that time. Your indents were for 90 lakhs in December. Supposing you had imported 30 lakhs at that end and put them into the market, these gentlemen would either have cancelled their indents or would have been in some difficulty. It would not have cost Government very much. Even if Government had dropped Rs. 5 a ton on 30,000 tons or a lakh of tons, it would not have made any difference. But it would have been a salutary lesson to speculators.

Mr. Hoyle.—By what agency do you suggest it should be put on the market?

President.—The price must have come down when this salt penetrated into that market. The Bengal people might take it. The whole point was

to increase your supply, or to give the choice to those people who are willing to take it from Calcutta against these indents. Was that considered so far as you know?

Mr. Hoyle.—It was not considered by me and I am afraid I have no information whether the Government of India considered it or not.

President.—The idea is to increase your output.

Mr. Hoyle.—Are you referring to Sambhar?

President.—All Government sources.

Mr. Hoyle.—Before the floods came along this year, we were considering a scheme which Mr. McIver mentioned to you this morning, that is building a new deep storage reservoir. We expected that it would add to the outturn by about 10 or 15 lakhs of maunds. We have also been trying to put more Khewra salt on the market. That really was the direct consequence of the floods.

President.—Would you be able to support such a scheme as this in the case of shortage or overindenting? On the other side Government might have considered the possibility of having another source at the other end, even if the Government lost a little money. It works this way: if you increased your output at Sambhar, you would have to pay a royalty of about As. 2. You can save that As. 2 by not increasing the output. If you have got the foreign salt at a reasonable price, say an anna or more above the Sambhar salt, you can supply those markets in the United Provinces. In that way it may be able to equalise the supply and demand.

Mr. Hoyle.—Government will sell the salt through whom?

President.—The Sambhar man wishing to take delivery of his salt on that side against his indent.

Mr. Hoyle.—Do you want my opinion?

President.—Yes, as an Officer.

Mr. Hoyle.—Here and now as to whether I should be prepared to recommend such a proposal?

President.—To meet only unusual conditions such as those that are prevalent now. I don't recommend it as a normal practice.

Mr. Hoyle.—I think on the face of it, it sounds very attractive, but I should rather like to consider it a little more before giving you my opinion. There may be difficulties.

President.—There are many difficulties. When you have indents to the extent of 90 lakhs, you are not compelled to deliver, but supposing you are compelled, you have got a stock of 29 lakhs. Supposing this was a contract which you might or might not fulfill, that is the obvious thing to do—to find some other sources of supply which would enable you to tide over this temporary difficulty.

Mr. Hoyle.—I am not sure that I would not be in favour of issuing such salt against existing indents rather than accept new indents for it.

President.—It would come to the same thing provided you don't overindent against your Sambhar stocks. That is merely a matter of detail.

Mr. Hoyle.—I am not sure that I agree with it altogether. I think one of the objectionable features of overindenting is that we committed ourselves to supply the whole of the next year's outturn to certain persons who had already indented for it. I rather feel that the salt should be our own, so that we can dispose of it as we like. If we merely put foreign salt on the market which would be snapped up by new indentors, we are not getting rid of this trouble.

President.—You will soon get rid of it. These gentlemen will feel that somebody else is penetrating the market from the other side. Therefore they would not take this salt and the prices will drop.

Mr. Mathias.—Or they will cancel their indents.

President.—They won't have it at both ends. They have incurred the liability at this end and they are not going to incur fresh liability at the other end. What would you do?

Mr. Dhawan.—They have tried to place the Kharaghoda salt in the markets of the United Provinces, but have failed, because people do not like that salt. Moreover the price of that salt is a little bit higher.

President.—But the Kharaghoda salt is no nearer than the foreign salt from that end.

Mr. Dhawan.—It is not nearer. In spite of the reduction in freight the price of Kharaghoda salt was 6 pies above the Sambhar price.

President.—What was the total cost when delivered?

Mr. Dhawan.—Rs. 60 per wagon higher than Sambhar.

President.—Supposing this salt was sold at the same price.

Mr. Dhawan.—To that extent it would compete with the Sambhar salt. If any other salt came in and competed with our salt, we would have been in a tight corner.

President.—Even to-day Government are trying to have alternative sources of supply. Instead of committing itself to a permanent increase more or less at those sources where production has been closed down, it is much better to have a source which is always available without any permanent expenditure, without having to invest any money at all.

Mr. Hoyle.—You suggest that we should take over shiploads of foreign salt.

President.—You have always that source available to supply the market without incurring any permanent expenditure. When a situation like the present arises, Government steps into the market and puts 100,000 tons of foreign salt at that end, that will at once bring down the price.

Mr. Hoyle.—Government will have to pay for foreign salt.

President.—They will have to. You have got your indents here. You know that your production is going to be 70 lakhs. With the present year's production you clear all the indents. You will have no reserves on these figures.

Mr. Hoyle.—No.

President.—Therefore you are again in the same difficulty. Your production is 70 lakhs and your indents are for 89 lakhs and your stock is 29 lakhs. That leaves you very little.

Mr. Hoyle.—It is true. Can we be sure of getting rid of the foreign salt in view of the fact that we have 30 lakhs of maunds in Sambhar?

President.—Supposing you are not able to dispose of the foreign salt, you don't import any more foreign salt. If you were going to build up any reserves, it would be better to supplement your salt from your source which is immediately available rather than run the risk of having the speculation of indenting. These gentlemen won't give you a moment's rest if they know that you haven't got any salt.

Mr. Dhawan.—We made a representation last year that they should have a reserve.

Mr. Biswanath.—Heavy clearances in 1926-27 brought about this position.

NORTHERN INDIA SALT REVENUE DEPARTMENT.

RAJPUTANA SALT SOURCES, SAMBHAR.

B.—ORAL.

Continued on 10th December, 1929.

President.—I want to ask you about this *Nil*. You have got two kinds of impurities in the brine.

Mr. Hoyle.—Yes, organic and inorganic.

President.—*Nil* is an organic impurity.

Mr. McIver.—Yes.

President.—What is the other inorganic impurity?

Mr. Hoyle.—Allied salts.

Mr. O'Donnell.—We classify vegetable and animal organisms both as 'Nil'. But there is a difference between the two.

Mr. McIver.—That is what they call microscopic algae.

President.—What are these Makhis and Papri mentioned in Mr. Bunting's report.

Mr. Hoyle.—"Makhis" are black specks of mud.

Mr. McIver.—When they are heaping up the salts, they get a little bit of papri.

Mr. Dhawan.—And again when the salt is picked up from the central heaps.

President.—And it is papri or tingani.

Mr. O'Donnell.—A sort of effervescence on the beds. I think it is carbonate of soda.

President.—This is a dangerous impurity containing nearly 9 per cent. of sodium sulphide and is an indication of careless handling and manufacture. Do you have any analysis taken from time to time?

Mr. O'Donnell.—Annually.

Mr. Hoyle.—This year we had a good deal more than that.

Mr. O'Donnell.—We had the salt analysed from the store as well as from the pans—twice separately. We had the brine also analysed on account of the brine having invaded our bittern area.

President.—Have you got a typical analysis?

Mr. Hoyle.—Didn't I put it in my memorandum? It seems that I have not put in the actual analysis of the salt.

President.—Will you give me the analysis of both the brine as well as salt?

Mr. McIver.—Yes.

President.—Have you taken any expert advice as to how to get rid of the *Nil*, that is organic and inorganic impurities from the brine so far?

Mr. McIver.—We have not up to the present. So far as my experience goes, we have not consulted any expert.

President.—Don't you think that these things might become serious some day, especially the organic matter?

Mr. Hoyle.—I have been considering the matter, but have not taken actually any step.

President.—You must consult somebody who knows about this matter.

Mr. McIver.—We have to consult a Mycologist.

President.—It is certainly not a matter for people who do not know about this. It might be a very serious matter especially the organic impurity.

As regards the inorganic impurity it might not increase. It may be limited by the amount of inorganic impurity in the lake brine. As regards the organic impurity it is a very serious thing. You may lose the whole lake in course of time or you may have to depend on your being able to sell your salt, whatever its colour, whatever its contents may be, on account of the monopoly that you have.

Mr. O'Donnell.—It is rather a subtle phenomenon.

President.—That is all the more reason why you should take advice. A subtle phenomenon is no explanation of its existence, nor is it any reply to the question whether steps should be taken or not. I would strongly suggest that action should be taken. It might develop into a real menace.

Mr. O'Donnell.—Last year was the worst we have had.

President.—How do you judge whether it has increased or not? Is it judged by the eye?

Mr. Hoyle.—Yes.

President.—That is a very imperfect method of judging it.

Mr. Hoyle.—It is easy.

President.—If it is in fine solution, I do not know whether you will recognise it. You may recognise that which floats on the surface. What is inside you cannot decide by the eye. If it passes through these mechanical strainers, it shows that a good deal of it is in solution which cannot be detected by the eye. I do not express any opinion on that point. I simply say that it requires looking into. The sooner it is done the better.

Mr. Hoyle.—Yes.

President.—I want to know a little more about these rules. Who prescribed these rules regarding manufacturing and storage, about the quality of salt, the depth of brine required and time for admission of brine? Who prescribed all these instructions?

Mr. O'Donnell.—As a result of local experience.

President.—First of all who drafted these? When did these rules come into force?

Mr. O'Donnell.—These are based on the old manual. They were revised by Mr. Strathie when he was put on special duty.

President.—Did he revise them?

Mr. O'Donnell.—Yes.

President.—Was he a Salt Expert?

Mr. O'Donnell.—He had experience of salt manufacture.

President.—We actually asked him and he said he wasn't.

Mr. O'Donnell.—I don't know myself.

President.—These rules were printed in 1927, but we do not know when they were actually made.

Mr. Hoyle.—I do not know, I am afraid.

Mr. O'Donnell.—They are much the same as the old rules.

President.—Who prescribed 30° B?

Mr. O'Donnell.—It has come down to us through many years.—I don't know how far—probably 30 or 40 years. It is based on Ratton's book.

President.—The oldest I have seen is 1882.

Mr. O'Donnell.—Perhaps yes.

President.—That was a long time ago. The more recent opinion is that concentration should not be allowed after 29° B. That is the practice in some of the other places. I do not know about Government works. At Karachi and Okha they do not allow concentration after 29°. According to the expert opinion it should not be allowed after 29°.

Mr. O'Donnell.—That is on the basis of sea water. Sea water has impurities which we don't have here.

President.—This was based purely on Ratton's opinion.

Mr. O'Donnell.—I do not know. It was done before my time.

Mr. McIver.—Well before my time.

President.—Will you please look into the matter and see what is the sort of salt that you get at 29°. You don't recover much after 29°. It is only 2 per cent. left of the recoverable salt. I have always told you and again I am telling you that I am expressing no opinion. I am putting forward these things to get your opinion. Our opinion will be expressed at a much later stage. Can you tell me whether any expert salt manufacturer who was born and brought up in the salt trade was advising the Government when these rules were framed. That is all I want to know.

Mr. O'Donnell.—You mean the rules in the Manual?

President.—Yes.

Mr. O'Donnell.—No. These were framed as a result of the experience gained in these works.

President.—Did you advise, Mr. McIver?

Mr. McIver.—I might have given a certain amount of help in drawing them up as regards manufacture, when we should charge, but the major portion was, I think, done by Sivacharan Das.

President.—Before your time.

Mr. McIver.—He was with me.

President.—He would keep records of what he was doing.

Mr. McIver.—You mean outside expert opinion.

President.—Yes.

Mr. McIver.—I don't think so.

President.—He might have kept records of what he was doing here and these rules might have been framed on them.

Mr. McIver.—Yes.

President.—It doesn't mean that that is the correct practice. It may be your practice. What I want to know is, did any man who understands the thing really as a Chemist and knows about the manufacture of salt in other places give his opinion? Was he consulted?

Mr. McIver.—No chemist was consulted so far as I know.

President.—In the rules it is said that the salt should be large in crystal, well matured and white in colour. That is nothing more than the expression of a pious hope.

Mr. Hoyle.—I have known the lake only for two seasons.

President.—Would you describe it as follows?

"The salt should be large in crystal, well matured and white in colour; any discolouration or the presence of fine grained salt or impurities in such a season is indication of carelessness in collection and washing."

Would you say that this is more than the expression of a very pious hope on the part of the gentleman who drafted these rules? Has it materialised normally speaking?

Mr. Hoyle.—Except that it has large grains, it has not.

President.—It is more than that. It is manufactured large in crystals, well matured and white in colour—so it is described. I have not seen any white quality. Any discolouration or the presence of fine grained salt or impurities in such a season is indication of carelessness in collection and washing.

Mr. Hoyle.—My experience is very short. The Sambhar salt that I have seen is not generally as white for instance as Grax.

Mr. McIver.—It is not white. There is always a slight tinge in it.

Mr. Mathias.—Do you have any standard laid down as regards quality, as to the percentage of sodium sulphide and calcium sulphate at any time?

Mr. Hoyle.—No. I don't think we have. It is a sort of unwritten standard I think. If any salt does not contain about 97 or 98 per cent. sodium chloride, it is not good salt. We haven't got any fixed standard.

President.—I am dealing with brine now. As regards pan 4 of Kyar 9, on the 15th July it was dry. On the 31st July the depth was 17″ and the density 4°.

Mr. O'Donnell.—That is rain water after it has taken up salinity from the bed.

President.—The average density of the rain water in a normal year is about 5°.

Mr. O'Donnell.—Yes.

President.—When do you get that?

Mr. O'Donnell.—At the end of the monsoon.

President.—That is when?

Mr. O'Donnell.—In September.

President.—You will stock it in the reservoir?

Mr. O'Donnell.—Yes. The rainfall by dissolving the reshta, provides high density brine in outfalls and reservoirs, the latter form a stock for replenshing our crystallising beds in the early stages of manufacture.

President.—If you did not replenish from time to time, up to what time would you get?

Mr. O'Donnell.—It should vary with the season.

President.—Just put it at 5° and then let it remain in the condenser. To get up to 25°, how long would it take?

Mr. O'Donnell.—That would depend on the evaporation. In the month of October it is as much as 6″ and it drops to 2″ in February. In rising from 5° to 25° it has to lose 3/4ths of its volume. That would perhaps take 20 days for a depth of 5 inches. If it is 50° at the beginning of September and loses 3/4ths of its volume to get to 25° saturation point, it would be 15th of October—that is normal evaporation. We would have to raise it to 29°. You are left only with 1½ inches. Out of that you wouldn't have quarter of an inch left when you get to 29°. The crust would be perhaps $\frac{1}{16}$th inch.

President.—You would not wait until it is 25°. You would start at 20°.

Mr. O'Donnell.—You mean crystallising beds?

President.—Yes.

Mr. O'Donnell.—Then of course it would be quicker. If the density rose to 15°, the loss in volume would be proportionately less. Still you would have to take into account the fact that you would have to let it in.

President.—If you stopped at 28°?

Mr. O'Donnell.—You would lose a good deal of salt.

President.—What is the earliest time in which you can get up to 28°?

Mr. O'Donnell.—Here are figures of pan No. 9 Kyar 10 for the year 1927-28. On the 7th of August the depth was 8″ and the density 10°. It had risen to 7″, 17° by taking up salt from the bed below. Then there was rain between 15th and 22nd. It went up to 12½″, 11°. Thus there was a drop in the density and a rise in the depth. On the 31st of August further rain raised it to 15½″, 10°. Now comes the loss by evaporation.

7th September depth 15″ density 13°
15th September depth 13½″ density 16°
22nd September depth 12″ density 19°
30th September depth 10½″ density 22°

President.—You start at the beginning of September at 10° and you keep it in the condenser till it reaches 19 or 20°.

Mr. O'Donnell.—We haven't got strictly speaking any condensers. We have only reservoirs.

President.—What I want to know is how quickly can you precipitate salt after that.

Mr. O'Donnell.—It reached 25° by the 22nd of October.

President.—After replenishing?

Mr. O'Donnell.—That was the saturation point.

President.—Had it been replenished?

Mr. O'Donnell.—Yes.

President.—That is the thing. For instance if I take this pan 2, kyar 10 by way of illustration on the 31st August it was 13°. There was rainfall before and it got up to 25° by the 5th of October. After that again you have replenished. It was already 11″. Supposing you had gone on?

Mr. O'Donnell.—We keep to a standard of 12″.

President.—I am not discussing your standard. I want information. There was already a depth of 11″. The density was 25° which is more or less saturation point. Then you replenished. If you did not replenish what would happen. How many days would it take before you got to 28°?

Mr. O'Donnell.—There would be a loss in volume between 25° and 28°. In what month did it get up to 25°?

President.—In October. It was 13° at the end of August.

Mr. O'Donnell.—Certainly not before a month. It would take well over a month before it rose to 28°.

President.—The data that you have got are shallow pans data.

Mr. O'Donnell.—I have got the data showing when it reached the saturation point and the date at which it reached 30° when it was extracted. I haven't got the intermediate data.

President.—Can you tell us roughly?

Mr. O'Donnell.—You can work it out by calculation.

President.—When was brine put in?

Mr. O'Donnell.—The first crop was in March.

President.—That is no guide. It is extraordinary. On the 7th of December it was 5″ and 28°.

Mr. O'Donnell.—On the 7th October it was 13″, 25° and it was extracted in December.

President.—At 30°?

Mr. O'Donnell.—Yes.

President.—Did it start in October?

Mr. O'Donnell.—Yes.

President.—When did it start?

Mr. O'Donnell.—At 13″ density 25°.

President.—That is saturation point in October.

Mr. McIver.—Yes.

President.—When did it reach 30°?

Mr. O'Donnell.—In December, but we can work out at what time it reached 28°.

President.—We have got it here. It was 13° on the 31st August, but unfortunately you went on replenishing. On the 7th October you have got 25°, that is saturation point. That is near enough. After that you replenished it twice.

Mr. O'Donnell.—Yes, being the accretion system.

President.—Yes, but the point is within two months it got up to 28° and this is salt which you would agree cannot be described as the normal quality of salt but superior.

Mr. O'Donnell.—I wouldn't say it is superior, but it is superior to the average.

President.—This is the sample we picked up on the 7th December. It is possible that if it had not been replenished, precipitation might have been earlier.

Mr. O'Donnell.—May I know at what density of brine it was replenished?

President.—It was 13° in pan No. 2 kyar No. 10.

Mr. O'Donnell.—I admit that. At the same time whether the quality would have remained, I do not know.

President.—You brought it down from 25° to 24° and then again you brought it down from 27° to 26°.

Mr. O'Donnell.—We went on replenishing because of the accretion system.

President.—Making allowance for that, it might have reached 28° earlier.

Mr. O'Donnell.—Yes.

President.—That means if you were to start from the saturation point, then you would be able to get it within 4 or 5 weeks and not more and at 28° you can get the crop.

Mr. O'Donnell.—I doubt if you could get it in the winter months as between 25° and 28° there is a loss in volume which requires time to bring about and the evaporation in the winter is slow.

President.—Supposing you took the whole of this crop. Supposing you worked all your pans in this way, by the middle of December how much salt could you get if you started?

Mr. O'Donnell.—You mean beginning with 8″ 25° B. and allowing it to go up to 28°.

President.—How much salt would you get?

Mr. O'Donnell.—Probably a quarter and not more.

President.—Why?

Mr. O'Donnell.—We have on an average six replenishings. Up till now there have been but two replenishings.

President.—You put in 2″ of brine on the 5th October and 1″ on the 23rd November. It is not very much.

Mr. O'Donnell.—We are working still for 25°. Later on it would get to 29°.

President.—It would take time.

Mr. O'Donnell.—Yes.

President.—If you had all your kyars ready and everything was done, why should you not get the whole crop?

Mr. Hoyle.—The crust will be thin to start with. The crust that is lying on the floor of the pan will be thin. The actual crust of salt should be 3″ or 4″.

President.—This salt is good enough. Why should you let it go?

Mr. Hoyle.—We should not get the same quantity if we extracted then.

President.—Can you give me any information? Supposing you got this salt at 28°, how many tons would you get?

Mr. O'Donnell.—They would not all reach 28° simultaneously.

President.—Somewhere about December.

Mr. O'Donnell.—In normal years it would be difficult for all the pans to get to 28° by then because we have no condensers.

President.—This is a wasteful method. If you had condensers you would not lose so much of the brine.

Mr. O'Donnell.—You get it quicker.

President.—Yes. Therefore there is a saving in it. Even with this wasteful method you can get this quality of salt, but I am not sure as to what the quantity would be. I have no data by which I can say how much you would get.

Mr. Mathias.—Have you ever had condensers?

Mr. Hoyle.—Not to my knowledge. Do you contemplate a second crop or more crops later?

President.—I am investigating the possibilities of it. This point is connected very intimately with the question of storage. It is not merely a question of quantity. As I was telling you yesterday, there are many salt works in this world which carry a stock of 200,000 tons. It is wasteful to my mind and it is expensive. It is inconvenient for the public also. If you have got this you can go on delivering.

Mr. Hoyle.—Wherefrom?

President.—It depends on what system you adopt. If you are not crushing it, you simply send it away.

Mr. Hoyle.—From the kyar side?

President.—Yes, you can do it.

Mr. Mathias.—Yes from the pan side.

President.—If you are not crushing it, it is not necessary to remove it.

Mr. Hoyle.—It has to be dried.

President.—You can dry it by the side of the pan.

Mr. Mathias.—In Bombay salt is stored in heaps.

President.—In this way you can avoid many handlings. The whole point of frequent crops is that it is less difficult to handle. You may get a better quality by taking it earlier. I don't say you would. But it is not impossible that the total quantity or the total production may increase.

Mr. Hoyle.—I don't think so.

President.—Unless you can give me figures, it is no use expressing any opinion on the matter.

Mr. O'Donnell.—Here is a pan under the old system which reached the saturation point on the 28th October, 1910.

Mr. Mathias.—You had no condensers then.

Mr. O'Donnell.—The same reservoirs as we have now.

President.—That is the whole thing. One important factor is missing from it.

Mr. O'Donnell.—In the absence of actual condensers we can not give you any figures at all.

Mr. Hoyle.—At Sambhar in old days it was usual to take two or three crops. The second and third crops were inferior because they were small grained.

Mr. Mathias.—Why?

Mr. Hoyle.—There was not time enough for big grains to form.

Mr. O'Donnell.—As the evaporation increased, the size of crystals decreased.

President.—It is very difficult to say without having experimented on it. That system was very different from the one that I am discussing. You have no condensers at all. Your reservoir is almost a condenser in itself. We are discussing something very different from what I am suggesting.

Mr. O'Donnell.—The difficulty in the old days was that the brine evaporated so quickly that they constructed these reservoirs merely to conserve the brine.

President.—I discussed that yesterday. My suggestion was that if it was a bottle instead of a soup plate, you would have your brine lasting much

longer. There are no data before us by which we can say by how much more your production would increase if your system was changed that way.

Mr. O'Donnell.—No.

President.—Then, what is the good of saying that it will remain the same. I would not be so emphatic as you are and say that it would be the same. How can you say that when you do not know?

Mr. Hoyle.—Your scheme involves a reversion.

President.—I am recommending to you the most primitive method that is used in India to-day. Instead of the lake, they have the sea. They have condensers and pans. I am not suggesting anything which is outrageously new.

Mr. Hoyle.—Your scheme involves the substitution of temporary and short period storage for our present system of central storage for a year or more.

President.—That is only as a result.

Mr. Hoyle.—Yes. That involves head load labour, does it not? We deliberately did away with the system of head loads.

President.—You still use this labour to pick it up from the kyars, don't you?

Mr. Hoyle.—Undoubtedly.

President.—You would do the same with pans. Instead of transporting it over a long distance of nearly 5 miles and stacking it there, then again digging it up and putting it into wagons, you would simply leave it there and load it on to the wagons.

Mr. Hoyle.—Our labour would cost us more.

President.—Why should it?

Mr. Hoyle.—At present our labour is engaged only in piling up the salt in heaps in the pans and afterwards loading into wagons. Then it goes into the store by mechanical means. There is a small labour force which digs it out.

President.—Instead of tipping it on to the land, it can be tipped on to the wagons.

Mr. Hoyle.—It would not be done direct from the pans.

President.—I am not suggesting that. I am suggesting that the salt will remain near the pans until it gets dried.

Mr. Hoyle.—It has to be heaped.

President.—Yes.

Mr. Hoyle.—In considerable stacks. The cost of storing the salt near the pans and then loading it direct into wagons will be more. That is to say, your labour instead of merely heaping the salt in the pans and then as I said loading it into wagons, it has to store it into heaps and carry it on the head for loading. Probably for that we will have to pay more.

Mr. O'Donnell.—It would be very much more.

Mr. Muhammad.—It would be 50 per cent. more.

Mr. Hoyle.—I don't think that we have got space for that kind of operation.

President.—What I am simply suggesting is this. Apart from the question of storage, there is the question of output. I want to know whether you are getting the output that you ought to get. That is the first thing I am discussing. The question of storage does not arise and on that I have no data.

Mr. Hoyle.—I think that it is an integral part of your scheme—I mean the question of storage. If we are going to get more Sambhar salt, we should get it away quickly.

President.—Instead of putting 250,000 tons and more in one place, if you send 50 wagons or whatever your daily requirement is straight off you would require less storage space undoubtedly. At the end of the season,

when it rains and so on, you will have the stock. But you won't have this accumulation of stock and therefore the space required for storing would be very much smaller. That is how it appears to me. I may be wrong. In Aden and other places they produce 100,000 to 150,000 tons. As regards space they have got very much less space than you have. Whilst they run into hundreds of acres, you run into thousands of acres.

Mr. Hoyle.—That needs examination.

President.—I am not suggesting that this is to be done on the spot, but I want to know how far this has been investigated and what are the results. So far, it has not been investigated and there are no data. I am quite satisfied with that.

Mr. Mathias.—Even the dam was as a result of the new method.

Mr. Hoyle.—Yes.

President.—I have not seen Madras. I have seen Bombay. Even in the accretion system, they contemplate condensers and pans. Obviously they must have a condenser because they take the sea water, but you dispense with the condenser except that your reservoir acts as a condenser and kyars act as both condensers and pans. We are now going somewhat into past history for which no one present here is responsible. We are bound to investigate it because one of the things that we have to investigate is the quantity of salt which can be produced in India of a certain quality.

Mr. Hoyle.—Yes.

President.—We can only say this that so far as Sambhar is concerned, if the present system remains and if the experts of the Department say that the output cannot be estimated at more than 70 lakhs of maunds on an average, if there is a total failure of the monsoon, the improvement scheme won't help any more than in previous years.

Mr. Hoyle.—I think that it could hardly be expected to do it. No scheme can take the place of rainfall.

President.—I certainly recollect passages in the various documents that I have read in which it is said that the output might be 100,000 tons, but I cannot lay my finger on them.

Mr. Hoyle.—The output might be 100,000 tons under what circumstances?

President.—Under normal circumstances.

Mr. Hoyle.—The figure that you are giving must be wrong.

Mr. Dhawan.—Sambhar produced in one year one crore of maunds.

President.—Yes, I know. What I mean is this. The average was 50 lakhs before. It was expected that the output would be doubled as a result of the improvement scheme. If the Government had known that the output was only going to be increased by 10 or 20 lakhs of maunds, it is very doubtful whether Government would have gone in for it.

Mr. Mathias.—Your minimum was 3 lakhs of maunds when there was no rainfall.

Mr. McIver.—Yes.

President.—With the monsoon of this year, do you expect to get normal production?

Mr. O'Donnell.—As our saturation point was reached very much later, I don't think that we will get our normal production.

Mr. Hoyle.—That was the result of the flood.

President.—During the last thirty years, the lowest was in 1911-12. In 1892-93, the production was 91,000 maunds. That was the result of the continuous floods. The failure of the monsoon took place in 1911-12. Of course when there is a failure of the monsoon the reduction in your production is the least calamity that is going to happen to the country and salt is the least part of it.

As regards Pan No. 4, Kyar No. 9, this salt (sample shown) precipitated at 26° B. The depth was 7″ and the density 26° B. This is the typical

karkutch as it is called. That does not seem to be too bad. It is only small grained salt. The pinkish colour is due to the *tingani*.

Mr. McIver.—It would not be due to that. The *tingani* as they call it is a thin crust which has a metallic ring in it. The colouration is due more to the microscopic algae.

President.—The microscopic algae, I do not know what that is due to. That is an organism, is it not?

Mr. McIver.—Yes.

President.—You have got to get rid of it. I do not know how you are going to. If it is crushed, the pinkish colour would not appear so much.

Mr. Dhawan.—It becomes white when it is crushed.

Mr. McIver.—Some of it is crushed and dried (sample handed in).

President.—If it was reduced to powder, it might be whiter than it appears here. This is the salt for which you say there is no demand in this part of the country.

Mr. McIver.—For that size.

President.—If you were asked to produce this kind, how much could you produce at Sambhar?

Mr. McIver.—That has been crushed.

Mr. O'Donnell.—We can get 20 per cent. of our normal output.

President.—You can get 20 per cent. wind salt?

Mr. O'Donnell.—Yes.

President.—You are chucking that away now.

Mr. O'Donnell.—No, we are using that as a nucleus for the next crop.

Mr. Mathias.—Have you ever tried to sell this wind salt?

Mr. O'Donnell.—No, there has been no demand.

Mr. Mathias.—Mr. Dhawan, could you not sell this in the Bihar market?

Mr. Dhawan.—Our customers won't take it.

Mr. Mathias.—Is not this comparable to imported salt?

Mr. Dhawan.—Our markets in the United Provinces won't take this salt.

Mr. Mathias.—I am talking of Bihar.

Mr. Dhawan.—We have no market in Bihar. There are some markets in Bihar which take Sambhar salt.

Mr. Mathias.—You deal only in Sambhar salt.

Mr. Dhawan.—Yes, including Guda and Nawa.

Mr. Mathias.—You cannot give any opinion about the imported salt?

Mr. Dhawan.—No.

Mr. Mathias.—You don't deal in Khewra salt?

Mr. Dhawan.—No.

Mr. Hoyle.—If you want further evidence about the disinclination of the traders to take any other salt, I can only say this. This season when we were getting a good deal of salt much below normal in size, they put in bitter complaints and they said that it was not good salt but what they regard as a by-product.

President.—They know your rules.

Mr. Hoyle.—What rule?

President.—The rule regarding big crystal. When your manual says that this is the salt you are going to produce, they will say that you are not selling the salt which the rules contemplate. If you fix two different prices for different qualities, they won't complain.

Mr. Hoyle.—Probably the average price the Government will get will be lower. And by selling the wind salt, we should be removing the nucleus for our next crop.

President.—I am not talking of the wind salt. I am talking of the salt extracted at 26°. If it was crushed, it would not compare unfavourably with any other quality of salt.

Mr. Mathias.—You say that they don't take any crushed salt?

Mr. Dhawan.—No.

Mr. Mathias.—In the areas where you sell Sambhar salt, supposing you put Sambhar crushed salt?

Mr. Dhawan.—We have never tried to put in the market crushed salt.

Mr. Mathias.—If you get a satisfactorily graded salt, would you not try it?

Mr. Dhawan.—We have not examined it.

Mr. Mathias.—Why don't you examine it?

Mr. Dhawan.—If we go over to Bihar and see what the market is for the crushed salt we will be able to say. Bihar is nearer to Bengal. Being near to Calcutta, the question of freight comes in. They won't take this salt unless the Calcutta salt is dearer.

President.—How much of this quality extracted at 26° can you produce?

Mr. O'Donnell.—I cannot say. We generally go on to 30°. We have not extracted that quality of salt.

President.—This practice would require no replenishing.

Mr. O'Donnell.—You mean treating at 26° as before after taking the salt out.

President.—Then you can replenish it.

Mr. O'Donnell.—It would rather spoil the beds.

President.—I don't know, but I am asking you.

Mr. McIver.—It would affect the beds by our labourers getting in and stirring it.

President.—How long would it take for this to settle down?

Mr. McIver.—We would have to pass a roller over the bed. We have to let the brine in before the bed is prepared.

President.—What I suggest is that this kind of salt can be produced here.

Mr. O'Donnell.—Yes and even better quality. But the whole quantity would not be like that.

President.—Supposing you had better pans, the question of people spoiling the beds would not arise. Then it would be possible to produce this quality of salt.

Mr. O'Donnell.—I think so.

Mr. Hoyle.—In small quantities we could produce it. You understand the point about the thickness of the crust? If we extracted it early the total output would not be much. If we confined our production to salt of this kind, we could not get much.

President.—I don't know. It all depends on what processes you follow. You cannot go back to the same old point. If you are going to follow the time honoured process, nothing can be done.

Mr. Hoyle.—We might, by changing our methods, produce more?

President.—That I am not prepared to say. You have no data on that point. With the present process you can get this. But only the risk is the beds would be spoiled.

Mr. O'Donnell.—Yes, if other difficulties do not arise. For instance last year was an abnormal year, when there was a large quantity of *Nil*. In a case like that the crystals would not be so large.

Mr. Hoyle.—If you went in for extraction of salt of this kind, you would get it very much more dirty for this reason. If you are shovelling up salt from mud, if the crust is thin, you will get more mud in it in proportion to the salt than you do otherwise.

President.—Yes. We are arguing in a circle.

Mr. Hoyle.—Quite. But I think in actual practice it is bound to happen.

President.—No.

Mr. Hoyle.—Yes, it is bound to happen unless you have hard floors and hard beds. Our soil here has peculiar features. Undoubtedly it is different from what you get on the sea beach.

President.—As regards these new indent rules of yours, I have not had very much time to study them. If you were to enforce these rules vigorously, you should have done something which these people would find it difficult to do.

Mr. Hoyle.—They represent an advance on the past rules.

President.—I am not prepared to say that, because I have not examined them. Let me understand the object of the rules. The object is to prevent speculation?

Mr. Hoyle.—Yes and to prevent the concerning of the market. It is also generally to prevent the whole of our supply for a year from getting into the hands of the trade, who wanted to control our salt.

President.—As far as I can see no one can put in indents for more than 25 per cent. of the month's supply. Therefore 4 different men can do it.

Mr. Hoyle.—Yes.

President.—Are not there 4 men in this country, subject to the rights of the smaller man for whom you have given 20 per cent.?

Mr. Dhawan.—10 per cent.

President.—As regards 90 per cent., 4 men can do it.

Mr. Hoyle.—Everybody who indents will get his share.

President.—That is to say if there are indents for 5 times the quantity, it would be distributed according to priority.

Mr. Hoyle.—In the case of the large traders, distribution would be *pro rata*. In the case of the small men the distribution is made by a sort of gambling method.

President.—You mean by drawing lots.

Mr. Hoyle.—Yes.

President.—Who suggested these rules?

Mr. Hoyle.—They were evolved in the course of a discussion between a Member of the Central Board of Revenue, my Deputy Commissioner, my two General Managers and myself in Simla. After this discussion, draft rules were drawn up by the Central Board of Revenue and were notified to the trade. The trade was invited to express its opinion.

President.—Did it get the benediction of the trade?

Mr. Hoyle.—I think certain sections of the trade were pleased with the rules. They welcomed the tendency which the rules showed to give every man a chance and not allow any big man to manipulate the trade. I think the rules are a considerable improvement.

President.—They have been worked?

Mr. Hoyle.—No, because we cannot accept any indents at all.

President.—In September 1928 these rules were issued. Now it is more than a year.

Mr. Hoyle.—Yes.

President.—That, you would agree, is a very long time from the business point of view. For a Government I think it is not a very long time.

Mr. Hoyle.—It would have made no difference if the rules had been issued in December last year. It made no difference, because there was no indenting.

President.—Whether no indenting was right or wrong, I don't say anything at all. But the fact is that a change in procedure takes a year, which is a very important factor from the business point of view. Remember

you are a business organisation and not a Government here and if a business firm took one year to consider, it would be rather unusual.

Mr. Hoyle.—Circumstances are different. Circumstances alter when business is suspended. We have taken the opportunity of a suspension of business—of normal business—to formulate rules which will take effect when business is reopened. I think that it seems to me justifiable not to rush matters but to take time to consult everybody who is interested and generally try and work out as good a scheme as we can. If we had published our rules, as you suggest in December last year, it would have had no effect on anybody then, nor would it have any effect on anybody until July next year.

President.—Your indents would be cleared in March next.

Mr. Hoyle.—About July or August.

President.—You have got plenty of time yet.

Mr. Hoyle.—Therefore I don't think it is unbusiness-like.

President.—Views may differ. I agree with things being done more promptly, but not too promptly. In business at such a time as this, one year will be considered too long. However the procedure of Government is such that there is no help for it.

Mr. Hoyle.—I suggest that no harm has been done by publishing the rules now.

President.—I could not say yet.

Mr. Hoyle.—I say so because business has been suspended. I think it was preferable to take time about these new rules rather than to act precipitately.

President.—It is like a bank suspending payment for putting its affairs in order. The position is very much like that. So far as I am personally concerned I don't attach very much importance to the rules. I attach very much importance to the action. The rules may be anything. What I like to see is some sort of action taken to meet the occasion. The only action that was taken was that you suspended taking in new indents. Whether that was right or wrong, I am not prepared to say.

Mr. Mathias.—Have the traders expressed any opinion on these rules?

Mr. Hoyle.—All the traders were consulted; and the larger ones all favoured us with their opinions in writing. I think that the firm of Messrs. Diwan Chand and Company—I am speaking here without the papers at the moment—thought it a little harsh to limit the indentors to 25 per cent. of the supply.

Mr. Mathias.—Did they give their reasons?

Mr. Hoyle.—The firm of Messrs. Diwan Chand and Company are constantly writing to us and informing us that their practices are philanthropic and that they are really assisting the consumer by doing business on a very large scale. They are constantly assuring us of the purity of their intentions.

President.—All big Corporations claim that. Even the Oil Trusts do that.

Mr. Hoyle.—That is the line which is usually taken.

Mr. Mathias.—Did they state any directions in which these rules put them to greater expenses?

Mr. Hoyle.—I don't think they did.

Mr. Mathias.—Is their reply confidential?

Mr. Hoyle.—I don't think so.

Mr. Mathias.—Might we have a copy?

Mr. Hoyle.—Yes. Do you want other people's views also?

Mr. Mathias.—Yes if there are any interesting views.

Mr. Hoyle.—Representations were put in by Diwan Chand and Company, Rambilas and Shivballabh.

Mr. Mathias.—Can you send them to me?

Mr. Hoyle.—They are in Delhi. I am not absolutely sure that I am at liberty to supply you with copies of those representations, but I can say this much that they were all in favour of the rules. They only criticised the details. Both Rambilas and Shivballabh approved them in principle.

President.—There are two general questions which I would like to put you in connection with these new rules. The fact of a man holding a proportion of his indents, might not that lead to overindenting on the part of everybody to start with? A man says 'I am limited to 25 per cent. anyhow, and I would indent for 100 per cent., so that others may not indent.'

Mr. Dhawan.—No one can indent for more than 25 per cent. of the month's supply. He cannot indent for more than 25 per cent.—not that he will not get.

President.—Supposing 15 people indented for 25 per cent. each, is not there the risk of overindenting?

Mr. Dhawan.—Traders will have to suffer by way of interest.

President.—The more powerful people will always tender for 25 per cent. and the smaller men who have not got the means will be limited by their resources, because you would either insist upon cash or credit.

Mr. Hoyle.—That is so.

President.—To start with, is there not a risk of overindenting, because you limit the quantity. They know that there is only 20,000 maunds or whatever the quantity is available in a month and therefore you start—I am just asking you—with conditions under which overindenting becomes essential from the traders point of view.

Mr. Hoyle.—I am not prepared to agree to that.

President.—What would a business man do? He does not know how the indents are going. He would indent for the largest quantity to get as much as he can within the limit, would he not? What would you do Mr. Dhawan?

Mr. Dhawan.—That would depend on the quantity of salt offered for sale.

President.—When you are indenting. You know the quantity that is offered. You don't know what the indents are going to be. Would you not take the precaution?

Mr. Dhawan.—Yes, the whole quantity permissible to us. That risk we have already told in our representation.

President.—What is the answer?

Mr. Dhawan.—We have asked them to frame the rules in such a way that we might not lose any interest.

President.—How have you got over it?

Mr. Dhawan.—The money should be immediately refunded.

President.—That is from your point of view.

Mr. Dhawan.—Yes.

President.—I am asking from the Government's point of view how is this overindenting to be stopped?

Mr. Hoyle.—If overindenting does not result in oversupply, the evil is less serious than the present evil. Under the present rules there is nothing to stop the trader from indenting for a crore of maunds and although we should hardly accept indents for so much as that, we should undoubtedly accept a conisderable proportion of the indents. I think that if we propose to stop indenting at a certain point, it is well that there should be a rule like this so that we could not be accused of arbitrary treatment of any individual.

President.—That may be so. As I say I have not considered them fully. I am asking you whether there is not the risk of overindenting. To start with would not a prudent business man rather overindent than underindent?

Mr. Hoyle.—You mean they will indent in excess of their means?

President.—Excess of their requirements for the time being. Take this gentleman. What he would do would be that he would buy the largest quantity available because he does not know. In one month he indents for 25 per cent. and he only gets 5 per cent. In the next month he does not know what is going to happen. Therefore there is always that temptation in the man's way to overindent. Therefore if everybody did the same, you would start with conditions which create this situation. Very well, you don't agree with that.

Mr. Hoyle.—I am just wondering at the moment to what extent I should be at liberty to criticise these rules in a public enquiry.

President.—You have to administer these rules. If such a situation should arise, it would be for you to recommend some action.

Mr. Hoyle.—Certainly.

President.—Everybody is at liberty to criticise these rules.

Mr. Hoyle.—As a Government servant working under these rules, I am not sure whether I should criticise them in a public enquiry.

President.—You are going to put these rules into practice.

Mr. Hoyle.—Yes.

President.—I am asking you whether such a thing would happen. It is no criticism of the Government at all. It is an individual opinion as an officer that you will give. It does not involve any criticism of the Government measure, I am quite sure.

Mr. Hoyle.—I admit that was an aspect of the matter which had not occurred to me, but now that it has been put to me, I find it is rather a difficult question to answer straight off. I find in the new rules so much improvement on the old rules that the advantages I can see in this provision outweigh any disadvantages. If you wish me to express my opinion, I could only reply that I do not at the moment feel that I am entirely convinced.

President.—I am not trying to convince you. I am simply asking you whether such a situation might arise or not.

Mr. Hoyle.—It is certainly possible, and there will, I suppose, be a sort of gamble.

President.—I will put it to you this way: Rambilas in a year wants 50 lakhs of maunds for his requirements. Now in each month only 5 lakhs is going. He is only entitled to 25 per cent. if he gets the full allotment. If he is to get what he wants, either he must indent himself or get somebody to indent for him. The question of benami, we won't go into just now. I have dealt with it for many years in my practice. There is nothing more difficult than to establish it. It may take 12 years to come to a decision especially in a Hindu joint family system. From Rambilas point of view he would do his best to ensure that within the year he got the quantity that he wanted. Therefore he would start overindenting. That is all I say.

Mr. Hoyle.—I think I might say this, that one quarter of one month's supply does not amount to such a serious thing as we have had.

President.—It may happen every month. There is nothing to preclude him from doing that.

Mr. Hoyle.—But the amount that he will get will be very greatly reduced. Against his 25 per cent. that he is entitled to indent for he is likely to get about $\frac{1}{10}$th of 25 per cent.—I mean to say it is quite likely that he won't get much more than 10 per cent. in all.

President.—Rambilas is a wealthy man.—He has made forward sales. He finds that he has got to supply one lakh of maunds. He has only been able to get 10,000. What does he do then? He goes to the other fellows who have bought it and thus speculation starts. He has got to meet his contract—let us put it that way—and therefore he goes and raises prices in the market. They know that the market cannot be supplied more than the quota that you have fixed.

Mr. Mathias.—The point is that a big man has a big market to supply; in a time of temporary shortage as at present, if he finds a shortage in certain portions of the market and his monthly allotment does not enable him to meet that shortage, he would be at the mercy of the other traders and therefore prices would go up considerably.

President.—He goes to the market with twice the amount that he has been able to buy. 'I must fulfil the demand', he will say 'of the market from wherever it may be. I must put the salt in my market, otherwise I would lose it'.

Naturally therefore the price of salt would be put up against him and this sort of thing would go on until his demand is satisfied. That is one thing. Secondly there are small men in the business. They also indent and they get their quota. A man who applies for 5 wagons or 15 wagons—and others like him—will stand outside. The big people may offer the small men Rs. 5 a wagon more. You have got no control, once the allotment is made, over that and therefore you would not necessarily stop the cornering of the market. He can go outside and buy the whole of the month's supply by paying the small trader Rs. 4 or Rs. 5 more. What is more, having limited the supply to one month, you make it easier for that man, because it is only 1/12th that he has got to deal with. Therefore you make it easier for him to do, whereas if you were to liberate your stocks and say 'we will put it in the market' that won't happen. He knows his liability is fixed at 1/12th of the works' supply. Therefore he makes provision for it. For 4 or 5 months these gentlemen may combine and do it and get the control of the market, isn't that possible?

Mr. Hoyle.—That seems possible.

President.—Can these rules prevent that?

Mr. Hoyle.—I think we can neutralise the effect to a certain extent.

President.—By what?

Mr. Hoyle.—It has been our custom in the past to issue salt in larger quantities, *i.e.*, at a higher rate of clearance per day during the months when the demand is very heavy.

President.—According to these rules you ought not do it.

Mr. Hoyle.—By no means. I think you have misunderstood them. Could you give me the exact rule, because the idea is not that the year's supply should be regulated in equal issues each month.

President.—I don't say that. You fix your supply for a particular month. Within that month you cannot increase. You have got to say at the beginning of the month or at the last week of the previous month. Therefore he knows what your total stocks are. He is well informed about that. He knows that you have sold about 1/10th or 1/5th or whatever it is. Your intention is to spread out your supply for the year as far as possible under the rules.

Mr. Hoyle.—Yes.

President.—I am just asking you what would happen if these gentlemen went out and stood outside your gates.....

Mr. Hoyle.—By fixing a very high rate of clearance.

President.—A small man would be satisfied with a small profit. He has only tendered and he knows his tenders would be opened—it is a matter of only a few days. His money would not be locked up for any length of time. You would only encourage the small men to take small profits of

Rs. 4 or Rs. 5 which is good enough for them. I am just putting to you that aspect of the question. It struck me that that was not impossible. You might accentuate the situation. If the traders really wished to speculate, would these rules prevent them, that is the point.

Mr. Hoyle.—The speculation can only be stopped by heavy clearances.

President.—But your hands are tied up.

Mr. Hoyle.—If we increase the clearance, we neutralise the effect of speculation.

President.—If you have unlimited stocks, you could do that, but they know jolly well that you haven't. If you issue more in one month, you will have to come down in the next.

Mr. Mathias.—Either set of rules is equally good provided your production is large and you can clear the stocks quickly. These rules are only designed to meet a time of shortage.

Mr. Dhawan.—Yes. In the case of large production these rules are useless. But when you have no stocks, these rules will not enable you to do much.

President.—As a business man what is your answer to the question?

Mr. Dhawan.—That situation might happen, but it is not likely, because there is enormous competition between different traders. Of course by these rules prices may rise, but one result will be that it will not be cornered by any one party.

Mr. Mathias.—The result to the consumer will be very much the same.

Mr. Dhawan.—There is much difference in this.

Mr. Mathias.—It would be more satisfactory from the traders' point of view, because the profits will be distributed amongst so many.

Mr. Dhawan.—Yes.

President.—What benefit is that to the consumer?

Mr. Dhawan.—These rules are meant to regulate the supply for the convenience of the department and the local traders here.

President.—We start from wrong premises. As my colleague just pointed out, when there is a question of shortage, will these rules help you?

Mr. Dhawan.—No.

President.—If there is no shortage of stock, rules need not be devised.

Mr. Dhawan.—The stocks of salt are not going to be increased by rules. The difficulties can only be met by these rules and there is no other way of getting out of it.

President.—I hope we will be able to get over it.

Mr. Hoyle.—The precise effect of the rules can only be judged by experience. If they are found very defective, then no doubt experience would suggest ways by which they may be usefully amended.

President.—How are you going to find out whether a transaction is benami or not?

Mr. Hoyle.—I admit that it may not be easy to arrive at the truth in all cases, but we do our best. Our officers in Sambhar have their eyes open and generally find out what is going on to a certain extent. Perhaps the most valuable source of information will be the rivalry amongst the traders. There are numerous parties in Sambhar. Every time I come here I am treated to deputations. They complain bitterly against each other.

President.—Those who have experience of the court know how easy it is to have a benami transaction and how difficult to prove it. As regards the joint Hindu family, it is difficult to know what it is. If that is the sort of work that you have got to do, it would be difficult and you have got to decide practically on the spot.

Mr. Hoyle.—The General Manager is on the spot and he will have to decide.

President.—Supposing I was put up as a benami man by Rambilas, and and he only knew what would Mr. McIver say?

Mr. Hoyle.—Probably we would hear it from Diwan Chand and Company.

President.—Why should he know? My answer is that he is my enemy. You cannot punish a man on the evidence of an enemy.

Mr. Hoyle.—The breath of scandal would get about, and truth would eventually percolate. It is difficult to devise rules which are rogue-proof.

Mr. Mathias.—Just at the end of the war and the years succeeding the department adopted the agency system.

Mr. Hoyle.—I am afraid I haven't got any records here dealing with that. I could not give you any accurate information without referring to the records.

Mr. Mathias.—Are there any rules?

Mr. Hoyle.—No, the legislation was *ad hoc*.

Mr. Mathias.—Could you give us any information how they arranged the agencies? They were monopoly agents for a district or what?

Mr. Hoyle.—A district or more.

Mr. McIver.—It was District Officers who appointed them and not the department.

Mr. Hoyle.—We invited the District Officers to appoint them.

Mr. Mathias.—And the department refused to supply salt to any one else.

Mr. McIver.—Salt was only supplied on the authority of the Deputy Commissioner.

Mr. Mathias.—To that one agency.

Mr. McIver.—Yes.

Mr. Mathias.—You had no other.

Mr. McIver.—No.

Mr. Mathias.—It was never attempted universally.

Mr. Hoyle.—You mean in all Districts.

Mr. Mathias.—Yes.

Mr. Hoyle.—No. I think in very few cases only it was done.

Mr. O'Donnell.—In all Districts excepting very few it was done.

Mr. Mathias.—Side by side with that system you allowed old firms to import salt into those districts.

Mr. McIver.—I wasn't here at that time.

Mr. Mathias.—Would you find that out?

Mr. Hoyle.—I shall try, but cannot guarantee.

Mr. Mathias.—What I want to find out is how the system was working, when it was abandoned and why it was abandoned.

Mr. Hoyle.—It was only a "*pis aller*". It was not considered a good thing by the department.

Mr. Mathias.—That is why I want that information.

Mr. Hoyle.—I shall try.

Mr. Mathias.—Do your best to send me papers which would give me some idea of the system.

Mr. Hoyle.—Yes.

President.—Have the freight rates been revised so far as this section is concerned by the railway companies?

Mr. Hoyle.—No, not recently.

Mr. Dhawan.—From Pachbadra the rates were reduced last year and from Kharaghoda this year.

Mr. Hoyle.—The trader in Cawnpore gets his salt at the same freight rate from Pachbadra as from Sambhar.

Mr. Dhawan.—Also at the same price.

Mr. Mathias.—That was probably done by the Jodhpur railway.

Mr. Dhawan.—Yes, in order to increase their own traffic.

Mr. Mathias.—The difference now is 9 pies.

Mr. Dhawan.—Yes, in the price, and the difference in the freight also is 9 pies.

Mr. Mathias.—Does it apply to all stations in the United Provinces?

Mr. Dhawan.—To metre gauge sections.

Mr. Mathias.—If the price at Pachbadra and Sambhar were equalised?

Mr. Dhawan.—There would be more freight from Pachbadra.

Mr. Mathias.—The price is less by 9 pies.

Mr. Dhawan.—Yes, that was the reason for the reduction in the freight rate from Pachbadra.

Mr. Mathias.—What about Kharaghoda?

Mr. Dhawan.—As. 7 to 9 more than Sambhar for the United Provinces market.

President.—Somebody in your office will have to do this for me. I want the market demarcated. This information I want both for Sambhar and Khewra.—I just want to see what is the proper geographical market. Your clerk can do that.

Mr. Hoyle.—I shall get that done.

President.—I want the indents to be divided into groups showing who are the biggest and who are the smallest. I want the indents to be totalled up for each individual.

Mr. Hoyle.—Yes.

President.—I forgot to ask you about the arrangements regarding bags. Do traders ordinarily supply bags?

Mr. Hoyle.—Yes in Sambhar and in Pachbadra.

President.—If he is here, he brings them himself and if he is in the up country market, he sends them by rail.

Mr. Hoyle.—If he is not in Sambhar, he consigns the bags to his local agent.

President.—If he has not got any local agent, what do you do? Do you supply them with bags?

Mr. Hoyle.—If he has no local agent and if he doesn't supply bags, either we cancel the indent or supply him.

Mr. Muhammad.—In the indent the local agent's name is given. The local agent supplies the bags generally, but if he does not, we supply from the stock and send the railway receipt by V. P. P.

President.—Are there many dealers in bags?

Mr. Muhammad.—Yes.

President.—Do 107 bags make a consignment?

Mr. Muhammad.—Yes.

President.—You want lakhs of bags.

Mr. Muhammad.—Yes.

President.—Each bag will hold 2½ maunds.

Mr. Muhammad.—Yes.

President.—The business in bags must be big.

Mr. Muhammad.—Yes.

President.—Does the Government insist on bags? What is the reason for it? I am asking you what objection Government have got. The railways might object.

Mr. Hoyle.—I have not been asked this before. I should like to think it over a bit. I should say that bags are easier to load into wagons. Further a bag is a unit. I should think it is easier to load bags full of salt into a truck than shovel loose salt into it. It is less wasteful for one thing.

President.—What has that got to do with you?

Mr. Hoyle.—We like to work on commonsense methods as far as possible.

President.—When there is no change of gauge why should you compel a trader to use bags from your point of view?

Mr. Hoyle.—It seems to be preferable that in loading wagons which is a function performed by us, we should adopt the commonsense point of view.

President.—I should think that dumping into wagons would be much easier than bagging.

Mr. Hoyle.—It would be wasteful. There is the possibility of more salt being wasted in that way.

President.—Hundreds of thousands of tons of salt come in bulk. All the foreign salt comes in bulk. All the Karachi salt comes in bulk. All the Okha salt comes in bulk. They load it into the ship's holds and delivered at Calcutta.

Mr. Hoyle.—Weighment will be more complicated.

President.—Weighment is easier.

Mr. Hoyle.—You mean we can have a loading line.

President.—Yes. I am only asking you why the Government should be so benevolent.

Mr. Hoyle.—Is not the question an academic one?

President.—Is it because the railways would not take consignments in bulk?

Mr. Hoyle.—I cannot say off-hand, because I have not examined the question. I cannot say whether, had there been no objection on the part of the railway company, Government would have agreed to load in bulk, but there is an objection and the result is that we cannot load in bulk.

President.—What does the Government charge for 100 bags?

Mr. Hoyle.—It varies very much.

President.—What figure did you give us the other day?

Mr. Hoyle.—I think we told you As. 7 or As. 8 a bag.

President.—I think I was told Rs. 35.

Mr. Dhawan.—Yes for 107 bags. Here different qualities of bags are used.

President.—What is the secondhand value of the bag?

Mr. Dhawan.—Rs. 25.

President.—Would the prices be different?

Mr. Dhawan.—When secondhand bags are used, the difference in price will be only the difference in the value of bags.

President.—It is a big difference.

Mr. Dhawan.—People here would use secondhand bags.

President.—And charge Rs. 35.

Mr. Dhawan.—They only charge the value of the bags.

President.—A new bag would be worth As. 6 to the retailer.

Mr. Dhawan.—The secondhand bags are used by those who sell salt themselves. The new bags are used in the case of salt which is sold in the market.

Mr. Mathias.—Are the bags returned?

Mr. Dhawan.—In certain markets salt is sold along with the bag, because the price is quoted per bag. Where salt is sold by weight, there of course the bags come back to the dealer.

President.—Is it not better to use new bags every time?

Mr. Dhawan.—Those who have to sell the salt to other dealers will consign it in new bags. But when I consign on my own account, I use secondhand bags, because it will be cheaper.

President.—How many times can you use?

Mr. Dhawan.—New bags can be used three times.

President.—They have no value at all afterwards.

Mr. Dhawan.—No. About Rs. 5 to Rs. 6 per 100. We depreciate every time per wagon for bags.

President.—There are one or two questions about Pachbadra. Pachbadra was practically closed down.

Mr. Hoyle.—Yes. We had orders from Government limiting us to an output of three lakhs of maunds a year at Pachbadra.

President.—How long did the orders remain in force? When did they pass the orders?

Mr. Hoyle.—In 1927. I think in that year we didn't extract any salt.

Mr. Mathias.—Is the salt in Pachbadra not of the same quality?

Mr. Dhawan.—It is not large grained.

President.—Supposing the smaller grained salt is put on the market, the traders will take it.

Mr. Mathias.—Salt of this kind? (Dilyar salt was shown.)

Mr. Dhawan.—Yes.

President.—They have the same accretion system in Pachbadra too.

Mr. Hoyle.—It is slightly different. The brine is not charged from a reservoir.

President.—Is it allowed to accrete?

Mr. McIver.—Yes. It is allowed to go on for 15 months and over.

President.—Do they not replenish it as they go on from brine wells?

Mr. McIver.—They have no brine wells. It is a system of pits into which brine percolates.

President.—That is a brine well.

Mr. McIver.—They don't do anything towards it.

Mr. Hoyle.—We must differentiate between the two. In the pan system we have pans and brine wells. At Pachbadra the brine wells and pans are one.

President.—They cannot be one.

Mr. Hoyle.—They are entirely one.

President.—You don't draw the water from the well.

Mr. McIver.—No.

President.—Are the pits shallow?

Mr. McIver.—The depth of the pit is 10'.

President.—Has anybody calculated how much output they can get from these pits?

Mr. Hoyle.—They have done fairly accurately.

Mr. McIver.—The average would be about 10,000 maunds per pit.

President.—How much a year?

Mr. McIver.—We get our crop only once in 18 months.

President.—On an average how much would you get if you worked all the pits in a year? Can you get 15 or 20 lakhs of maunds?

Mr. Hoyle.—It takes more than a year for a pit to be cleaned and treated in various ways as it is treated and for the brine to accumulate and salt to crystallise. We eventually extract the salt. Therefore we cannot work it every year. Supposing we worked all the pits available, I think the most that we could get would be 12 lakhs of maunds.

Mr. Dhawan.—There are about 1,000 pits and only 200 pits are being worked.

President.—It is merely a matter of digging 2′ or 3′.

Mr. McIver.—10′ to 12′.

President.—How does this brine evaporate?

Mr. McIver.—It is like a well.

President.—For that reason the brine does not evaporate much quicker.

Mr. McIver.—Yes.

President.—Do you have to dig them every year?

Mr. McIver.—They have to be cleaned only after the crops are extracted.

President.—Could they dig the pits mechanically?

Mr. Hoyle.—The geographical situation is not favourable. We don't own the pits. The poverty of the people is the main obstacle.

Mr. Dhawan.—These pits are owned by Karwals. The manufacturing is done by Karwals themselves.

President.—These pits belong to individual owners.

Mr. Dhawan.—Yes.

Mr. Hoyle.—We have the exclusive right to the crop.

President.—In that case the question of labour won't arise if they are to supply the salt.

Mr. McIver.—We have to help them in procuring labour for clearing.

Mr. Hoyle.—We appeal to the good offices of the Durbar.

President.—I want to know how much salt Pachbadra could produce.

Mr. Hoyle.—We cannot clear more than 20 wagons a day. It is very difficult to clear that on account of the scarcity of labour. The Jodhpur railway could give us as many wagons as we require. There is no mechanical transport from the pits to the railway sidings. Some of them are at a very considerable distance.

President.—The State must provide these people with a sort of internal transport, if the State is very keen and if that is the limiting factor.

Mr. Hoyle.—That is certainly the principal limiting factor.

President.—The State can find out how much salt can be produced and what facilities they can provide for transporting it over their railway. It is a matter for the Jodhpur State.

Mr. Sumer Chand.—If the purchase of salt is guaranteed, the Jodhpur State can help the Karwals.

President.—In that case would the State guarantee the supply?

Mr. Sumer Chand.—The source itself is in the hands of Government. The Karwals themselves will supply 13 lakhs of maunds. The Karwals themselves say that they will be able to produce 40 lakhs even.

President.—The difficulty is that there is no market for that salt.

Mr. Hoyle.—I wouldn't say that.

President.—I am asking the Superintendent of the Jodhpur State if they can produce 40 lakhs of maunds at Pachbadra and the British Government would take it, you think you would be able to supply.

Mr. Sumer Chand.—I think so.

President.—That is not the point.

Mr. Dhawan.—If there is enough salt in Sambhar, nobody is going to purchase it from Pachbadra. If we are not going to purchase salt, Government will not take it from Karwals and they will have to starve.

President.—That means you will have to stabilise production. Your Government must do whatever is the cheapest. First of all Government has got to find out how much salt will be produced and at what price it can be placed on the rail head. After that the other questions will be considered. Will the State give us information on those points?

Mr. Sumer Chand.—Yes.

President.—The Jodhpur Durbar are equal partners in the profits.

Mr. Hoyle.—Yes.

President.—Therefore it might be to the interests of the Jodhpur State to do something.

Mr. Dhawan.—They have done something. They have reduced the freight by nearly 100 per cent. from Pachbadra.

President.—What rates are you paying for the labour in Sambhar? First of all let us take extraction.

Mr. Hoyle.—For both extraction and storage of salt the rate varies. The normal rate is Rs. 22 per 1,000 c.ft. It works out to Rs. 25 and Rs. 27 per 1,000 maunds.

President.—One c.foot is equal to 32 seers.

Mr. Hoyle.—Yes.

President.—And for transport?

Mr. Hoyle.—That is all included.

सत्यमेव जयते

SALT TRADERS OF SAMBHAR.

B.—ORAL.

Evidence of the following gentlemen recorded at Sambhar on Sunday, the 8th December, 1929.

(1) Mr. GOVINDNARAIN LAHOTI for Ramraghunath Srinarain.
(2) Mr. RAMBILAS TOTLA for Bhagchand Dulichand.
(3) Mr. LAKSHMIDAS DHAWAN for Bhagchand Dulichand.
(4) Mr. SHIVBALLABH MANDHANA for Chandmul Shivballabh.
(5) Mr. RAMDEO for Srinarain Ramdeo.
(6) Mr. GORDHAN for Radheylal Srikishan.
(7) Mr. BHANDOULAL for Samismul Sitaram.
(8) Mr. RAMNIVAS for Kishanlal.
(9) BIJEYNARAIN.
(10) Mr. SHRIKISHAN for Harnandrai.
(11) Mr. RAMANAND.
(12) SHEOPERSHAD for Jumnadas Seopertap.
(13) SHEOPRASAD KHETAN for Bunsidhar Sheoprasad.
(14) Mr. BISWANATH for Diwan Chand and Company.

President.—We are very much indebted to you, gentlemen, for coming here almost voluntarily to assist us in this enquiry. We are very anxious to study how the business is done. Of course we are examining the Government side of the question also which relates to manufacture but we want to understand how the salt is dealt with after the Government has manufactured and parted with it. We shall be very glad if you will also supply us such figures as we want regarding prices both here and elsewhere.

Mr. Dhawan.—We shall supply you with all the information you want.

President.—Whom do you represent?

Mr. Dhawan.—I represent Messrs. Bhagchand and Dulichand.

Mr. Biswanath.—I represent Messrs. Diwan Chand and Company.

Mr. Shivballabh.—I represent Messrs. Chandmul Shivballabh.

President.—Mr. Shivballabh, is your firm connected with Messrs. Diwan Chand and Company?

Mr. Shivballabh.—No.

President.—Are there any other traders who do business on any large scale?

Mr. Dhawan.—Five big and five small traders have been invited and they are all here.

President.—As regards Messrs. Diwan Chand and Company, we are examining them later on. If you can give us any information as to how the business is done, it will be helpful.

Mr. Biswanath.—I shall supply you with any information you want.

President.—Yes, we would like you to.

Mr. Biswanath.—I have no objection whatsoever. Our evidence will be given in Bombay and that is settled.

President.—That is about other matters. Here I want to know about Sambhar.

Mr. Biswanath.—Yes.

President.—Have you got your books?

Mr. Biswanath.—Yes.

Mr. Dhawan.—We do not know what the nature of the enquiry will be like. No questionnaire has been sent to us. The questionnaire that the Board had issued does not concern us.

President.—First of all, we are concerned with the way in which the business is done and then with the prices.

Mr. Dhawan.—That I understand. The price is determined by the cost of production. So, we are interested in the cost of production. But there are questions in the questionnaire which do not concern us.

President.—How much business does your firm do in Sambhar?

Mr. Dhawan.—During the last four years we had been doing on an average 3,500 wagons per year. Last year we indented about 10,000 wagons; that means 27,00,000 maunds.

Mr. Mathias.—There are 267½ maunds in a wagon.

Mr. Dhawan.—Yes.

President.—It is just under 10 tons.

Mr. Dhawan.—You can take it that it is exactly 10 tons.

Mr. Mathias.—Normally how much do you do?

Mr. Dhawan.—Last year was an abnormal year; otherwise we do 35,000 tons.

President.—This 10,000 wagons represent nearly half the production of Sambhar.

Mr. Dhawan.—About 30 per cent.

President.—Sambhar produces about 60 lakhs of maunds.

Mr. Dhawan.—Pachbadra and other sources are included in Sambhar.

President.—Mr. Biswanath, what about you?

Mr. Biswanath.—We have been doing business at Sambhar for the last five years.

President.—For how many years have you been here, Mr. Dhawan?

Mr. Dhawan.—Our firm is 100 years old. Before we have had some manufacturing business.

Mr. Biswanath.—Messrs. Diwan Chand and Company have been doing this business for the last five years, whereas my own firm had been doing this business for the last three generations.

President.—Which firm is that?

Mr. Biswanath.—Messrs. Ganpathiram R.

First I was with that firm and now I am doing this business with Diwan Chand and Company of Delhi. In the first year, nearly 5,000 wagons were indented by us.

President.—That was five years ago.

Mr. Biswanath.—Four years ago. In 1926, I submitted an indent for 5,000 wagons.

President.—On your own account?

Mr. Biswanath.—On Diwan Chand's account. In 1927-28, I submitted indents for nearly 10,000 wagons and up to November 1928, I submitted indents for 17,000 wagons.

President.—How much did you remove?

Mr. Biswanath.—From Sambhar?

President.—Yes.

Mr. Biswanath.—In 1928-29, nearly half of the whole output I removed.

Mr. Dhawan.—The figures I have given you relate to the actual removal.

President.—Those are the indents.

Mr. Dhawan.—Those are the amounts that we actually cleared—that we purchased and sent to our upcountry markets—

Indian year.	Wagons.
1982-83	2,765
1983-84	3,132
1984-85	3,644
1985-86	2,869

We have put in indents for 10,000 wagons last year, 700 wagons for Pachbadra and 900 wagons on cash basis.

President.—How much have you cleared?

Mr. Dhawan.—About 6,930 wagons have been cleared.

President.—Have you got branches in other parts of India?

Mr. Dhawan.—Yes.

President.—You have branches as well as agents I take it.

Mr. Dhawan.—Yes.

Mr. Mathias.—When you speak of branches do you mean depôts where you actually store?

Mr. Dhawan.—We store it in our own branches. When we send it to our branches in the districts, salt is quickly sold, because it cannot be stored for long.

President.—You have got your branches and agencies.

Mr. Dhawan.—Yes. We have got agencies in all principal markets in the United Provinces.

President.—How many principal branches have you got?

Mr. Dhawan.—We have branches in Cawnpore, Agra.

President.—Of course you have to keep the salt for some time in those branches.

Mr. Dhawan.—Yes.

President.—Then, you have got agencies.

Mr. Dhawan.—Yes, all over the place.

President.—I take it first of all you estimate what your branches and your agencies require or are likely to require.

Mr. Dhawan.—First of all we enquire of the rates from our branches.

President.—This is the beginning of the new season. You try and find out what your stocks may be in your branches and with the agencies. I suppose you keep yourself well informed.

Mr. Dhawan.—Yes.

President.—You will estimate next year you will want so many thousand wagons.

Mr. Dhawan.—Not like that. We never know what they require in the future. We only know about the present. We will enquire from our agencies and branches the rates of salt there. If we think that the rates are favourable, we will purchase ready wagons from Sambhar and send them there: otherwise we sell our indents in the local market. We are indentors.

Mr. Mathias.—As regards these indents, how do you determine how much to put in?

Mr. Dhawan.—We do not determine. We simply put in indents for 5,000, 10,000 or 2,000 wagons which do not represent our own actual demand. We have capital and we have invested it in salt. When these indents are cleared, we sell them in the local market if the rates are favourable or in places where we have agencies.

President.—Wherever you get favourable rates you sell.

Mr. Dhawan.—Yes. The figures that I gave you represented the amount of salt sold.

President.—Can you tell me how much you actually sold here? And how much you sent to the other markets?

Mr. Dhawan.—This is what we sent to our other markets.

Mr. Mathias.—What you sent is partly your own indents and partly salt that you bought in the local market.

Mr. Dhawan.—Yes, we sometimes buy wagons from the market.

President.—Those are the actual indents placed with the Government.

Mr. Dhawan.—Those are wagons of salt that were cleared by us.

President.—Either your own indents or somebody else's.

Mr. Dhawan.—Yes. Sometimes we buy and resell again in the market if we can get a profit thereby.

Mr. Shivhallabh.—In a way it represents their demand.

President.—It may mean this that with 5,000 wagons that you actually purchase you may do business in 10,000 wagons. You may sell the 5,000 wagons and buy again 3,000 wagons which will make it 8,000 wagons.

Mr. Dhawan.—Yes.

President.—So that one wagon load may represent business in three or four wagon loads in your books.

Mr. Dhawan.—Yes, sometimes one wagon passes through 20 hands before it reaches the consumer.

Mr. Mathias.—What I do not understand is the principle on which you indent.

Mr. Dhawan.—We will look to the market rate. If the rate is favourable, we will put in the indent.

President.—You know the market rates and the quantities available in the markets.

Mr. Dhawan.—Yes. If the market can consume that salt, there will be some profit.

President.—For instance, it will be like this. Take Cawnpore. You know what Cawnpore consumes.

Mr. Dhawan.—Three or four wagons a day.

President.—You know you have already 1,000 wagons. There is some stock left. But you know that Cawnpore is likely to run short of stock. You will say ' all right, I shall buy 1,500 wagons and send it to Cawnpore if the market is favourable '.

Mr. Dhawan.—Yes.

Mr. Mathias.—I understand that that is your business side. Before you come to your business side, I gather that there is some speculation, that is to say you will put in indents for 1,000 wagons which you do not expect will be delivered for 10 months perhaps. That 1,000 wagons when you get them, if they do not go into your business you will sell to any one who buys them. But how do you decide how much to put in?

Mr. Dhawan.—We see to the local rates here. When the salt is selling at a premium over the Government rate, we put in more indents and if the salt is selling at a discount or even selling at par, we won't put in any indents. The other point is that though we may put in more indents we do not get the salt the moment we put in. It takes a long time to get the salt.

Mr. Mathias.—As regards the local exchange, apart from your own business, is it put up to auction?

Mr. Dhawan.—We sell it through brokers.

Mr. Mathias.—How do you sell? Do you sell it at cost price *plus* so much?

Mr. Dhawan.—Government price *plus* profit.

Mr. Mathias.—And that profit varies.

Mr. Dhawan.—Last year, it varied from Rs. 10 to Rs. 95 per wagon.

Mr. Mathias.—Do you ever get a *minus* quantity?

Mr. Dhawan.—We have sometimes sold at Rs. 30 less. Whenever the clearances are heavier, the market cannot absorb all these clearances at a time and it goes down.

President.—And you make it up when the market goes up.

Mr. Dhawan.—Yes.

President.—There is a sort of salt exchange.

Mr. Dhawan.—Yes.

President.—Does it sometimes happen that a man simply buys and sells without sending anything, like shares.

Mr. Dhawan.—Yes. There are more transactions of that nature than actual business.

President.—Take the share bazar for instance.

Mr. Dhawan.—It is exactly like that.

President.—You buy 100 shares. You don't mean to pay at all. You simply sell them when you get a better price, and get the difference.

Mr. Dhawan.—Yes.

President.—Are there many forward transactions?

Mr. Dhawan.—All the transactions in indents represent a sort of forward business because we never know when our turn comes and when we will be able to get our salt. Before our turn comes, these wagons are sold and resold in the market.

President.—A buyer cannot insist on the delivery.

Mr. Dhawan.—No.

President.—Supposing you sell 10 wagons to another?

Mr. Dhawan.—We sell certain numbers of our indents which we put in on certain dates.

President.—Supposing you said 'I will pay you the difference but I am not going to deliver'.

Mr. Dhawan.—The actual delivery takes place.

President.—That may be after it has changed hands 20 times.

Mr. Dhawan.—Yes.

President.—Supposing I go to the Salt Exchange and say 'I am selling you 100 wagons'.

Mr. Dhawan.—You cannot sell unless you hold indents for 100 wagons. You have to give the numbers of your indents. You cannot as in the Cotton Exchange sell 100 bales of cotton. When you go to the market and sell 100 wagons, you must give the numbers of indents.

President.—You are a man with a lot of capital. You have got a big credit with the Government. Therefore you get 1,000 numbers.

Mr. Dhawan.—Yes. I invest money and put in indents. When I get the numbers, I sell those numbers.

Mr. Mathias.—Do you get cash?

Mr. Dhawan.—I do not get cash. I get only the premium. The cash is paid only when the delivery takes place.

Prsident.—There has been no indent since November, 1928.

Mr. Dhawan.—No.

President.—You must have indented a lot.

Mr. Dhawan.—Yes.

President.—You have not got delivery.

Mr. Dhawan.—We now get delivery for our September indents.

President.—The whole of that amount is debited to your account.

Mr. Dhawan.—Yes.

President.—But you are not to discharge that account until six months.

Mr. Dhawan.—There were certain disputes with the Department in respect of the credit system because according to the rules under the credit system payment has to be made six months after the date of indenting. So, they wanted to demand payment at the time when we had not received salt. We represented that unless we got delivery of the salt, we should not be asked to make any payment. The Government of India gave us a concession which was to the effect that payments could be made one month after the delivery of the salt. Therefore we have got credit for more than one year.

President.—It may go on to two years.

Mr. Dhawan.—Until the salt is delivered, we are not going to make any payment.

President.—In the meanwhile you have got these indents.

Mr. Dhawan.—Yes.

President.—You can sell them.

Mr. Dhawan.—We have already sold heavily those indents.

President.—Therefore this speculation will go on until the wagons are actually cleared.

Mr. Dhawan.—This speculation can only end when the salt is actually delivered immediately after the indents are made, or when the supply is equal to the demand.

Mr. Mathias.—Even then there would be small speculation.

Mr. Dhawan.—No, unless there is some speculation in price.

Mr. Mathias.—You would sell your indents.

Mr. Dhawan.—Yes.

Mr. Mathias.—The Salt Exchange would go on.

Mr. Dhawan.—Yes, it would always go on. The members of the Exchange represented all classes—indentors and consumers.

Mr. Mathias.—So that there will be some speculation.

Mr. Dhawan.—It will be reduced to a minimum.

President.—How do these indents change hands?

Mr. Dhawan.—It is only a transaction in our books.

President.—You do not endorse them.

Mr. Dhawan.—No. When we get the railway receipt from Government, we give it to the purchaser and get the difference.

President.—You don't hand the indent over.

Mr. Dhawan.—No. The indent will be lying with the Government. We simply give the number. We give the numbers in writing and the purchaser can compare those numbers.

President.—What the purchaser gets is a number.

Mr. Dhawan.—Yes. He pays the profit and gets the number.

President.—He may sell it to somebody esle.

Mr. Dhawan.—Yes.

President.—And the last man holding the indent says ' I want delivery '.

Mr. Dhawan.—When the time for delivery comes Government demand bags from us. We tell the purchaser to give bags and the last man gives the bags. When the salt is loaded into the wagon, and despatched, the railway receipt comes to us and we endorse it to the purchaser from us, and you can see that there are about 20 endorsements on the back of the railway receipt.

President.—It is just like buying shares with blank transfers.

Mr. Dhawan.—Yes, but there is a difference. Shares you can easily sell without numbers, but here we have to give the actual number.

President.—That is pure *satta.*

Mr. Dhawan.—There is some difference. This is like selling forward indents. When we get buyers we sell forward.

President.—You don't sell the goods. You sell the indents.

Mr. Dhawan.—We sell the indents.

President.—You may sell twenty times over.

Mr. Shivballabh.—Yes.

President.—The longer the Government takes to deliver the salt, the more chance there is of the thing being sold.

Mr. Dhawan.—Yes.

Mr. Shivballabh.—It is all a question of supply and demand. The market fluctuations depend on that.

Mr. Dhawan.—This represents the wholesale price of salt.

President.—It has nothing to do with what happens in the mufassal.

Mr. Dhawan.—No.

President.—There is no relation between the Sambhar price and the price upcountry.

Mr. Dhawan.—There is.

President.—There is some relation between the Sambhar price and the upcountry price when deliveries actually take place.

Mr. Dhawan.—When deliveries take place, there may not be any difference. But on account of these forward transactions they do not represent any business in the outside market.

Mr. Khetan.—It is all a question of supply and demand. When there is more demand from the outer stations, the price goes up here, but if there is not any demand, the price goes down.

Mr. Shivballabh.—There is just one point which I want to clear up. The enquiry is whether at the time of putting in indents the basis on which we put in is trade. As far as I understand, the position is that just as a trader—cloth merchant or any other merchant—holding some stock in his hand just to meet immediate demand places orders for more, every trader here knowing that salt cannot be had immediately after putting in the indent wants to maintain some stock of uncleared balance at his disposal. That is the basis on which we work. There is nothing like speculation.

President.—What is the distinction you are making?

Mr. Shivballabh.—The distinction is that there is some basis of *bonâ fide* business.

President.—No one disputes that. The whole thing is you may require 10,000 wagons in a year. That is the basis of your business. But with that 10,000 wagons, you could do business for 100,000 wagons in this market if it suited you.

Mr. Shivballabh.—Yes. Sometimes I am a buyer and sometimes I become a seller.

President.—That is what the other gentleman is trying to explain.

Mr. Dhawan.—I am a buyer and I am an indentor. If I find that I can get cheaper wagons from the market, I will buy them from the market. When the credit system was introduced and when there was heavy indenting, we could get cheaper salt from the market. Under the credit system, we don't lose any interest. We gain something in the way of interest.

President.—You get six months credit and you don't pay anything.

Mr. Dhawan.—That is so. That represents the premium to us.

Mr. Mathias.—Before the credit system came in, the cash system was the basis of transactions. Even then, the speculation went on.

Mr. Dhawan.—Yes.

Mr. Mathias.—In that case, the wagons were sold much quicker.

Mr. Dhawan.—Yes, and there were normal indents.

President.—The prices in Sambhar would correspond more to the prices in the local market under the cash system.

Mr. Dhawan.—Yes. Under the cash system we would not put in so much money because we would lose interest. We would be very careful then.

President.—Than you are now.

Mr. Dhawan.—Yes.

President.—There would be more turnover.

Mr. Dhawan.—Yes. Under the cash system we have more turnover. It helps us to do more business. When we put in Rs. 1 lakh, we get that money back every three months. Again we invest that money on salt.

President.—You can cancel your indent with the Government.

Mr. Dhawan.—So far we have not been able to get the indents cancelled at our own will.

President.—When the market goes against you?

Mr. Dhawan.—We could not cancel our indents and we have not been able to do so. Mr. McIver would not do it. When we have put in indents we must take delivery of the salt. Sometimes during the monsoon there is no buyer and yet Mr. McIver will insist on delivering his salt.

President.—But it is possible to get cancellation.

Mr. Dhawan.—We have been trying to get it by other ways and methods. We refuse to supply the bags, and we know that they have not got the bags.

President.—Or there may be no wagons.

Mr. Dhawan.—In that case they won't cancel our indents, but they will simply postpone the delivery.

Mr. Rambilas Totla.—If we don't supply bags they sometimes put the salt in Government bags and send the railway receipt to us by V. P. P. Only last year or so, they cancelled 200 indents of a certain party.

President.—The point is that you can afford to do it sometimes.

Mr. Dhawan.—When we have put in our money, they will hold our money. When our turn comes we must take delivery of the salt. They won't cancel our indents. If we don't supply our bags, they will supply the salt in Government bags.

President.—Just now there are many bull transactions.

Mr. Dhawan.—The salt business represents more the bull side. The bear element is Government side. They become bullish when they fail to supply enough salt.

President.—Government have not got much salt to put into the market.

Mr. Dhawan.—They can afford to put in more salt but it is unfortunate that they have not been doing 88 lakhs a year. They had been clearing and producing more than that. During the last two years they have not been able to deliver more than 50 or 60 lakhs and that is the reason why the markets have been very high.

President.—I see that the indents were stopped in November, 1928.

Mr. Dhawan.—Yes.

President.—What was the reason for it?

Mr. Dhawan.—The reason was that the stock of salt was not enough to meet the demands of the markets. We thought that we would be able to make good profits by putting in all our indents together.

President.—You have made profits.

Mr. Dhawan.—All of us have made but our view was not that at that time. We were asking the Department to clear more salt and to reject the indents of those parties who were making and selling indents at that time. We made representations to the Government of India. We sent many

telegrams that the salt market was being cornered by certain parties by putting in more indents.

President.—Who were those gentlemen?

Mr. Dhawan.—Messrs. Diwan Chand and Company. We had to make representations to the Government of India.

President.—Did you indent more and more then?

Mr. Dhawan.—We did not put in any indents. If we put in indents, we were selling in the market and pressing the market down so that people might not be encouraged to buy any more.

President.—When is the beginning of the new season.

Mr. Dhawan.—September.

President.—What was the position in September?

Mr. Dhawan.—In August 1928, the market was just at par.

President.—That is to say there were sufficient stocks.

Mr. Dhawan.—At that time the clearance was 50 wagons per day.

President.—Is that your normal clearance?

Mr. Dhawan.—That year the Government of India had sanctioned only a production of 50 lakhs of maunds.

President.—You knew that.

Mr. Dhawan.—We did not know at that time but some people knew that only 50 lakhs of maunds were to be produced. They got that news from Delhi or Simla.

President.—That was in August 1927-28.

Mr. Biswanath.—In September 1928, the production was 50 lakhs of maunds.

President.—This thing happened three or four months before that.

Mr. Dhawan.—The manufacturing period begins in March and ends in June. Perhaps it was in the month of March they knew that the Government were not going to produce more than 50 lakhs of maunds and the outstanding balance at that time was 24 or 25 lakhs.

President.—Had you any idea of the up country markets then?

Mr. Dhawan.—In the up country markets we were not having any large stock. During the last two or three years preceding that time, the annual clearance of Sambhar salt was about 80 lakhs of maunds. This quantity was required for 15 months so that this was not enough to meet the ordinary demand. Diwan Chand and Company made arrangements with all the Banks to give them facilities for indenting salt on credit basis. They secured securities from the Banks and managed to put in indents for nearly a crore in the month of September.

President.—Is this correct?

Mr. Biswanath.—In September, October and November we put in many indents.

President.—About one crore.

Mr. Biswanath.—Yes.

President.—That is substantially correct.

Mr. Biswanath.—Yes.

President.—That means how much salt was bought?

Mr. Dhawan.—About 60 or 70 lakhs of maunds.

President.—It was one year's crop.

Mr. Dhawan.—More than one year's crop. Government received indents up to 90 lakhs of maunds.

President.—The Government's capacity was 50 lakhs of maunds.

Mr. Dhawan.—Yes, and they received indents up to 90 lakhs of maunds during the three months—September, October and November. Messrs. Diwan

Chand and Company put in indents for 17,000 wagons and we put in for 10,000 wagons, and others about 3,000 or 4,000 wagons.

Mr. Mathias.—Mr. Diwan Chand sent in his indents before you sent in yours.

Mr. Dhawan.—Yes, before us. He wanted to put in all his indents in one day so that he should have delivery for one full year and sell the salt at his price.

Mr. Mathias.—Then what happened?

Mr. Dhawan.—I do not know what happened. He put in his indents in three or four days and we got a chance of putting in ours. We had been making representations to the Government of India. The first representation was on the 27th August. It was on the 27th August 1928 that we sent the first representation to the Central Board of Revenue (copies of which were also sent to the Commissioner and the General Manager) that Messrs. Diwan Chand and Company were trying to corner the whole trade of salt in Sambhar; that they had made arrangements with all the Banks to put in indents in one day; that in order to meet the situation Government should not sanction further credits or cancel indents after having been made above a certain quantity which could not be cleared in a certain period or they should take any other suitable action so that there should be no cornering or monopoly.

President.—What did Government reply?

Mr. Dhawan.—Government did not pay any heed to our representation.

President.—Did you get any reply?

Mr. Dhawan.—No reply was received. We sent telegrams worth nearly Rs. 1,000 on the subject.

President.—Will you please let me have copies of these telegrams?

Mr. Dhawan.—I shall send them to you.

Mr. Shivballabh.—I have a big file. There were several representations on the subject.

Mr. Dhawan.—We had been sending several representations on the subject. The difficulty was that Government could not manufacture enough salt. Mr. McIver was here and he first told me that there was 10 lakhs of maunds left on stock and that they could give 80 lakhs of maunds, and that there could be no shortage of salt in Sambhar. I do not know what happened. Mr. McIver left Sambhar in November.

President.—Mr. McIver had taken all these indents before he left.

Mr. Dhawan.—Yes. He was prepared to clear them at a high rate, and people were asking for cancellation.

Mr. Shivballabh.—He succeeded.

Mr. Dhawan.—He increased the clearance to 250 wagons a day in September. At that time the market went down and the salt was selling at about par and it even touched Rs. 5 below the Government price. This continued for one week or two in September. If it had continued for another week, I think that all these indents would have been cancelled.

President.—Did you communicate to the Central Board of Revenue what was taking place.

Mr. McIver.—Their report to me was forwarded to the Commissioner.

President.—To the Commissioner from time to time whatever you heard.

Mr. McIver.—It went on to the Commissioner.

Mr. Hoyle.—They sent duplicates to me.

President.—Did you send them on to the Central Board of Revenue?

Mr. Hoyle.—They got these reports direct also.

President.—Mr. McIver, so far as you are concerned, what action did you take.

Mr. McIver.—I increased the wagons.

President.—Did you communicate the complaints to the Central Board of Revenue?

Mr. McIver.—I did not communicate.

President.—Did you communicate, Mr. Hoyle?

Mr. Hoyle.—I got them direct and the Central Board of Revenue also got them direct.

Mr. Dhawan.—We sent copies to the Commissioner and to the Central Board of Revenue.

President.—So that they all knew.

Mr. Dhawan.—Yes.

President.—Did you get any orders from the Government of India?

Mr. Hoyle.—I was averse to taking any action immediately on the representation of an interested party. We could not take any *ex parte* action. We realised of course that the indenting was getting on very heavy and we considered the advisability of stopping the indenting. We also considered the feasibility of stopping the credit, that is to say not opening new credits. I referred the matter to the Central Board of Revenue because it had been the practice for a considerable time for such matters to be referred to the Central Board of Revenue for orders.

President.—What orders were passed?

Mr. Hoyle.—I don't remember exactly what the orders were.

President.—Was any action taken?

Mr. Hoyle.—The action eventually taken was that we stopped indenting.

Mr. Dhawan.—Three months after we had made a representation to the Government of India, to the Commissioner and to the General Manager.

President.—That was in September.

Mr. Dhawan.—Yes, it began in September. The indenting was going on at that time. Mr. McIver had increased the clearance and it actually terrified the indentors who abstained from further indenting.

President.—Didn't you know that Mr. McIver would soon run short?

Mr. Dhawan.—Mr. McIver was convinced that he had the capacity to manufacture salt to meet the demand.

Mr. Shivballabh.—That was the conviction amongst the traders.

Mr. Dhawan.—Yes, it began in September. The indenting was going on *parte* action. There was no open discussion with us and in the presence of the other party. After a week or so I believe they reduced the clearance from 220 to 150 wagons. I was again deputed by the traders to interview the Central Board of Revenue Members in Simla and the Commissioner. It was on the 1st of October that I went to Simla.

President.—Whom did you see?

Mr. Dhawan.—I saw Mr. Hoyle, Mr. Sundaram and Mr. Lloyd.

President.—What representation did you then make to them?

Mr. Dhawan.—I told them that the indenting had gone up to 70 lakhs of maunds. I asked them to maintain the clearance at 150 wagons and not to reduce it. Further they should stop all new credits and refuse to accept any new indents. In order to defeat the monopoly of Diwan Chand I told them that they should accept cash indents from other parties and give them salt side by side with credit indents.

Mr. Mathias.—When was it?

Mr. Dhawan.—In the first week of October, 1928.

Mr. Mathias.—When was it that the output was reduced to 50 lakhs of maunds?

Mr. Dhawan.—In March of that year.

Mr. Hoyle.—That was before my time.

Mr. Mathias.—When did you get the orders, Mr. McIver?

Mr. McIver.—About the end of 1927.

President.—That was in consequence of the discussion in the Public Accounts Committee meetings and other places.

Mr. McIver.—It must be.

Mr. Biswanath.—There was a public discussion in Simla. I want to point out this. Their representations were all such that they were misleading the Department. The amount of salt here was not so ample that they could have continued that clearance. Therefore they reduced the clearance. If the clearance was continued at 150 wagons, all the salt would have been consumed by December and there would have been a great chance for the monopoly at that time. We would have taken all that salt and at the source there would not have been a single chittak of salt. Therefore considering all these things, the Central Board of Revenue was inclined to reduce the clearance. When these people made the representation to increase the clearance, we also informed the Central Board of Revenue that their position was not such as to increase the clearance to 200 wagons.

President.—They had not the salt.

Mr. Biswanath.—No. From the very beginning we wanted that the clearance might be reduced to 110 wagons a day. They delayed the consideration of all these things with the result that the wagons were reduced to 80 in November 1928.

President.—The new season's crop did not come. Therefore they would not have much stock. What Mr. Dhawan was saying was right.

Mr. Biswanath.—It is not right. They represented for increasing the clearance. If the clearance were not reduced, then the whole stock would have been consumed.

President.—And you would have cornered the market.

Mr. Biswanath.—Naturally.

Mr. Mathias.—These orders that you received at the beginning of 1928 affected the season of March to June 1928 and also the next year—I mean this year. Did it affect this year, Mr. McIver?

Mr. McIver.—No.

Mr. Mathias.—You increased your manufacture this year.

Mr. McIver.—**Yes.**

President.—In August 1928 when this was started when the indents began to come in your stock was 24 lakhs.

Mr. Hoyle.—No.

President.—How much was it?

Mr. McIver.—I don't remember the actual quantity.

President.—What I want to know is when you took the indents for 90 lakhs supposing they had insisted on delivery—I know they cannot under the rules—how much of this 90 lakhs could you have delivered by December?

Mr. McIver.—Our stock was about 30 lakhs.

President.—Against that you took indents for 90 lakhs.

Mr. Dhawan.—They had a stock of 55 lakhs.

President.—Against that they accepted indents for 90 lakhs.

Mr. Dhawan.—Yes. Mr. McIver was sure that he would be able to manufacture a good deal of salt in the coming season. All the traders also believed in his capacity to produce. When he began to keep the clearance at 200 or 150 wagons per day the idea was probably that in this way traders might be frightened. In the first instance, the traders might cease to put in indents and secondly whatever indents had already been put in the traders might ask for cancellation.

President.—Supposing the clearance was maintained at 150 wagons a day, it would be 1,500 tons a day.

Mr. Dhawan.—Take 24 days then for a month.

President.—It would be 36,000 tons a month.

Mr. Dhawan.—They had about 56 lakhs of maunds. For 7 or 8 months they could go on and by the time this stock was exhausted new salt would have come in. He could give us new salt.

President.—You had an interview with the Central Board of Revenue in October.

Mr. Dhawan.—On the 1st of October we first approached them with this representation and they of course gave preference or priority to cash indents up to 20 per cent. a day.

Mr. Mathias.—When did that come into force?

Mr. Dhawan.—Immediately.

President.—To each person?

Mr. Dhawan.—If they cleared 100 wagons a day, 20 wagons of that would be against cash indents, so that the whole lot should not go to Diwan Chand.

President.—Did you put in any cash indents?

Mr. Dhawan.—Yes, and others also put in cash indents. This advantage was also taken by Diwan Chand. He put in more cash indents. Before the Sambhar traders knew of these orders Diwan Chand put in cash indents through the Central Bank of India.

President.—For the whole lot?

Mr. Dhawan.—For 1,000 wagons a day before the orders were received in Sambhar.

President.—Is that true?

Mr. Biswanath.—We put in indents before the orders were received.

President.—I don't wish you to make a statement without verifying. Before the orders were communicated here, Diwan Chand was in a position to put in indents for 1,000 wagons a day for cash.

Mr. McIver.—If he had not got the information from any of the upper offices, he would not have been in that position.

President.—The point is when did you communicate the orders?

Mr. McIver.—I communicated the orders as soon as I got them.

President.—You could find out from the dates of the indents what had happened.

Mr. Biswanath.—The orders were passed on the 18th and we put in indents on the 13th of October. We knew that the traders were going to approach the Central Board of Revenue and we thought that the plea being reasonable might be accepted. To take advantage of the cash indents which would be given preference, we put in those indents in anticipation of the orders and not after the receipt of the orders.

President.—Somehow you scented the orders.

Mr. Dhawan.—The orders were passed on the 11th. I left Simla on the 10th. On the 13th when I was in Delhi I came to know that Diwan Chand had put in indents through the Central Bank of India.

President.—Those 1,000 wagons are for the whole period.

Mr. Dhawan.—Those indents have been cleared up to now.

President.—This is very important. I want to know the exact dates.

Mr. McIver.—I shall call for the information.

President.—I want the date on which orders were issued. That would be in your orders.

Mr. McIver.—Yes.

President.—The date on which the orders were received by you and the date on which you actually communicated the orders to the other traders.

Mr. McIver.—Yes.

President.—Now what is happening? Is Diwan Chand getting cash indents?

Mr. McIver.—They have been exhausted.

President.—How many months did it take?

Mr. Dhawan.—Three or four months.

Mr. Shivballabh.—At the rate of 15 wagons a day.

Mr. Dhawan.—I want to point out this. Somehow it happened that there were some mistakes in the indents submitted by Diwan Chand and they had to be returned to Delhi. These indents were for 500 wagons. So the indents for 500 wagons were cleared first before all others and as regards the other 500 wagons, when the indents were received after correction, they were cleared later.

President.—How much did you put in for cash?

Mr. Dhawan.—Four or five thousand wagons after receiving the orders.

Mr. Biswanath.—We are businessmen. We do not act like blind people.

President.—I do not blame you. You took a good business opportunity and made use of it and these people were too late.

Mr. Biswanath.—Yes.

Mr. Dhawan.—They had not been putting any cash indents three months before that whereas other traders had been indenting on cash basis.

President.—Is it your practice to have cash indents also?

Mr. Dhawan.—Of course we had cash indents.

Mr. Biswanath.—I should like to say this. I never heard anything from anybody or from the Department. When I saw the application going round in the market for signatures, I thought that the request contained therein might be granted by the Central Board of Revenue. I said to myself 'this is a good chance to put in indents' and I did it.

A Trader.—We have complained in writing about all this.

President.—To whom did you make a complaint?

Mr. Shivballabh.—To the Central Board of Revenue. I was the man who started this agitation.

Mr. Dhawan.—I returned from Simla on the 10th to Delhi.

President.—Then you did not know anything about the orders.

Mr. Dhawan.—No. Of course, Mr. Lloyd considered favourably all these questions but he had no time to take proper action after referring the matter to the Commissioner. I do not know what happened afterwards. When I came to Delhi, I heard on the 13th or 14th that Diwan Chand was putting in cash indents.

President.—You discovered.

Mr. Dhawan.—Yes. I was stopping with a friend of mine. Of course, I grew anxious what the matter was and made enquiries from Sambhar and they told me that it was nothing. On the 18th they also same to Delhi. They told me that orders had been received that cash indents would be given preference. I understood that these orders were made on the 11th October and that they were received by the Commissioner on the 13th or 14th. I do not know the exact dates, but they are about the dates.

President.—Nothing was known to you officially.

Mr. Dhawan.—No.

President.—When did you first come to know?

Mr. Dhawan.—On the 18th. I was in Delhi then and expecting others so that we could form a deputation and wait on the Commissioner. There we heard that Diwan Chand had cornered the market. Further Diwan Chand had been issuing notices to the traders that no one would be given

salt for two years and that he would be the only person who was entitled to take salt.

President.—Have you got those written notices?

Mr. Dhawan.—We have got copies.

President.—Mr. Biswanath, is that right?

Mr. Biswanath.—No notice was sent by us.

Mr. Dhawan.—We have got letters signed by Diwan Chand.

President.—Have you got original letters?

Mr. Dhawan.—We will call for the file which contains all these notices and letters. Diwan Chand had been issuing these circulars to the traders and to the Seths of Sambhar as well "I will be selling salt at such and such rates". He fixed rates every day and posted them on the notice board and also circulated them to the traders.

President.—Were the rates lower or higher?

Mr. Dhawan.—The markets were going higher.

Mr. Biswanath.—Only 15 per cent. profit.

Mr. Dhawan.—The market was going higher and higher day by day. All the markets on the Rohilkand and Kumaon Railway he reserved for his own salt. He told those people "You can send your salt to all other markets but to stations on the Rohilkand and Kumaon Railway I will send my own salt". He did not allow them to get the destinations mentioned in their indents changed to any station on the R. K. Railway.

President.—The reason was that he was in possession of the wagons.

Mr. Dhawan.—That was the reason why he could do it. There was no one else. Only his indents had to be cleared for several months. Those markets could not get the salt from elsewhere. They used only Sambhar salt and Diwan Chand was the only person who could give them that salt. He reserved those markets for himself. We made a representation on the subject again to the Commissioner, as a result of which cash indents were given priority. These cash indents began to go to those stations and the monopoly was defeated in that way. Now as regards clearance, in November Mr. McIver left this place.

President.—Who was in charge then?

Mr. Dhawan.—Mr. Scott.

President.—I don't think we have met him.

Mr. Hoyle.—He is now in Delhi officiating as Deputy Commissioner of Salt.

Mr. Dhawan.—After that we gave up making representations because we found that no heed was paid and no action was taken to cancel the indents or to stop further credits. So, in the month of November we had also to apply for large credits.

President.—Government had the right to cancel indents.

Mr. Dhawan.—They had the right, and they had also cancelled indents in November 1925 to the value of a crore of rupees.

Mr. Hoyle.—We could refuse to accept indents, but we cannot cancel indents.

President.—You can postpone the fulfilment.

Mr. Hoyle.—No.

Mr. Shivballabh.—They could refuse to accept credit.

Mr. Biswanath.—After sanctioning the credit, the Government have not got the right to cancel indents.

President.—Every effort is made to clear the indents but there is no period within which indents would be cleared. It would be preferable for you to cancel rather than to delay the indents.

Mr. Hoyle.—We cannot postpone in the sense that we can leave a blank period.

President.—You need not tell us but you can tell an indentor 'Now you are doing this. I shall not give you any delivery'. Then, he will say 'For God's sake, cancel my indent'. You can postpone delivery for four years and there is nothing in the rules to prevent that.

Mr. Hoyle.—It says that no guarantee can be given that we shall be able to clear an indent in a certain time.

President.—If a man was cornering the market by getting priority he would not cancel his indents. Supposing Diwan Chand purchased all the salt, every indent was his and nobody could get the market and the market was being cornered, do you suggest that Government should not postpone or cancel his indents? What action will you take?

Mr. Hoyle.—At present, we have stopped receiving any indents. This is a matter for the future. I think that the matter would certainly be seriously considered.

President.—I do not know what the law is. You say that you have got no power to cancel an indent.

Mr. Hoyle.—We do cancel under certain circumstances.

President.—Perhaps you may look up this point.

Mr. Hoyle.—We do not ordinarily do so.

President.—This is not an ordinary case. If a man corners the whole of the salt market and it is brought to your notice that he issues circulars that the price of salt is so and so and he has to depend on Government for getting that salt, will Government fold up its hands and say 'we won't do anything'. That is what I want to know. Government is entitled to say 'All right, we have not got the power to cancel the indent, but we shall not give any delivery as we do not guarantee the time'. Do you mean to say that Government have not got the power or rather is it not the duty of the Government to see that it is done? Supposing the market was cornered as in this case an attempt was certainly made?

Mr. Dhawan.—It was done in 1920 when Mr. Fergusson was Commissioner.

Mr. Biswanath.—Cash indents could be cancelled by the Commissioner, but credit indents are not cancellable by the Commissioner.

President.—If I were a Commissioner, I would do it.

Mr. Dhawan.—These indents were not cancelled and they were getting the salt and supplying those markets. But by the intervention of the order giving priority to cash indents to the extent of 20 per cent. their monopoly, so far as they related to certain markets, was defeated. Then, of course, the market began to go higher. We saw that the Government were not going to take any action and that they were going to allow the cornering of the trade by a certain party. We then tried to get more credit in the month of November and put in as many indents as we could. In reply to a representation of ours, one of the officers of the Department said 'Why should you grumble? Diwan Chand has got money and he can put in his indents'.

President.—Who said that?

Mr. Dhawan.—Mr. Reed, the Deputy Commissioner.

President.—He told you in so many words.

Mr. Dhawan.—He said "Why should you grumble? Diwan Chand has got money and you have not got it. Why should you complain?"

President.—Didn't you have money?

Mr. Dhawan.—We had money and we put in nearly Rs. 40 lakhs. Every one could do it here. Our firm also represents one of the biggest interests in salt. We saw that the Department was not taking any serious action on his indents. Mr. McIver had gone on leave and no serious attempt

was made to increase the clearance. When we found that the Officers on the spot at that time were not trained enough or experienced enough to manufacture enough salt to meet the demand, we thought that we should also go in and take advantage of the situation. We have also been benefited.

President.—You put in indents, both cash and credit.

Mr. Dhawan.—Yes.

President.—What were your cash indents?

Mr. Dhawan.—Cash indents on Sambhar for 900 wagons and on Pachbadra for 700 wagons and credit indents for 10,000 wagons.

President.—You have got about 6,000 wagons so far.

Mr. Dhawan.—Yes. So far as Pachbadra is concerned, the cash indents have been cleared. We have still about 5,000 or 6,000 wagons to be removed, but they have been sold in the market. That was the situation at that time.

President.—Afterwards the indenting was stopped.

Mr. Dhawan.—Yes.

President.—You were left with what whatever delivery Government could give you, but you had the indents to play about.

Mr. Dhawan.—Yes.

President.—They are still being played about.

Mr. Dhawan.—Yes.

Mr. Mathias.—The position, I understand, would have been much easier had it not been for the floods.

Mr. Dhawan.—Of course these floods have helped the market to go higher because 10 lakhs of maunds were lost by the floods. The clearance had to be reduced as a result.

Mr. Mathias.—Had there been no floods, prices would have gone down.

Mr. Dhawan.—Prices would not have gone higher.

President.—Would 10 lakhs of maunds have made so much difference when 90 lakhs of maunds were indented for?

Mr. Dhawan.—90 lakhs of maunds were indented for which could not be cleared in one year. They would be able to clear only about 60 lakhs of maunds a year or 5 lakhs of maunds a month. Because of the loss of 10 lakhs of maunds in floods, they had to make arrangements for two months. Of course they succeeded by giving us salt from Kharaghoda and other places. That salt they wanted to introduce in the United Provinces. They wanted us to transfer our indents. Of course we could not agree to that because we had to pay more freight and there were other difficulties also. Though we did not agree to transfer our indents to Kharaghoda from Sambhar, we put in our fresh indents on Kharaghoda.

Mr. Mathias.—What were your other difficulties?

Mr. Dhawan.—The supply of bags, etc. For Sambhar salt we have a local market. For Kharaghoda salt we have no local market and we have to depend on other markets.

President.—The position is simply this. Government are supplying 50 wagons a day.

Mr. Dhawan.—60 wagons—50 wagons in Sambhar and 10 wagons in Pachbadra.

President.—How has the cutting down from 150 to 50 wagons a day affected the market?

Mr. Dhawan.—Between 1925-26 and 1926-27 the profit per wagon was never higher than Rs. 30, but during the last two years, the profit has gone up to Rs. 100.

President.—Let us come to the prices. This started in August 1928.

Mr. Dhawan.—Yes.

President.—First of all, you have a peculiar way of fixing prices. Let me understand how you fix the price. The price is the issue price.

Mr. Dhawan.—That is the Government price.

President.—That was 4 annas 3 pies in August.

Mr. Dhawan.—Yes, per maund. Rs. 413-13-0 was the price for 267½ maunds.

President.—Let us take the issue price.

Mr. Dhawan.—It is 4 annas 3 pies per maund.

	Per maund.			Per wagon.		
	Rs.	A.	P.	Rs.	A.	P.
Issue price	0	4	3	71	4	0
Weighment	0	0	6	8	6	0
Duty	1	4	0	334	6	0

President.—What about packing?

Mr. Dhawan.—We supply our own bags.

President.—You will charge that to your purchaser.

Mr. Dhawan.—That depends on the quality of the bags.

President.—Bags are supplied by the buyer.

Mr. Dhawan.—Yes.

President.—Your price is so much.

Mr. Dhawan.—That is the Government price—Rs. 413-13-0.

President.—We will take it as Rs. 413.

Mr. Dhawan.—Yes, that is the price we pay to the Government.

President.—When you sell it to the buyer, what do you add?

Mr. Dhawan.—We sell it per wagon in advance. We get a profit when the delivery takes place.

President.—This was the price in August 1928. Will you be able to show me from your books how the price went up?

Mr. Dhawan.—Yes.

President.—When did you start making these reports about profits?

Mr. Hoyle.—Just after we stopped the indenting.

President.—Mr. Dhawan, can you send me these prices?

Mr. Dhawan.—Yes, I have prepared a list for two or three years.

President.—Give me from August.

Mr. Dhawan.—Yes. The maximum profit was Rs. 4 in August and loss up to Rs. 6-8-0.

Mr. Shivballabh.—That depended upon the quality of salt.

President.—I am coming to the question of quality presently. Give me the next rise.

Mr. Dhawan.—It goes to Rs. 2 profit.

President.—From Rs. 6 loss?

Mr. Dhawan.—Yes.

President.—When was this?

Mr. Dhawan.—At the beginning of September. Then, it goes to Rs. 4 to Rs. 4-8-0.

President.—When?

Mr. Dhawan.—In the same week. In September, it goes to Rs. 8 or Rs. 10. In October, it goes from Rs. 10 to Rs. 15, Rs. 20 . . . . . .

President.—What is the highest figure?

Mr. Dhawan.—Rs. 40 in October. In November it goes to Rs. 80 for forward deliveries.

President.—'Forward' means when?

Mr. Dhawan.—Indents put in September.

President.—You clear the profit at that time.

Mr. Dhawan.—We take the profit when the delivery takes place.

President.—You are quite all right once you have sold?

Mr. Dhawan.—Yes.

President.—After November, what happened? What is the average rate?

Mr. Dhawan.—Rs. 60 up to this time. At one time, it had gone down to Rs. 15 loss.

President.—In this period?

Mr. Dhawan.—Yes.

President.—When the deliveries were 250 wagons?

Mr. Dhawan.—In the course of the daily clearance of 80 wagons, they had begun giving salt from Store No. 1. The salt was inferior in quality and quite wet and the traders did not like that. So, it was sold at a loss. Another portion was cleared from Store No. 6. That salt was superior and consequently the profit was Rs. 30 to 40.

President.—That lasted a short time.

Mr. Dhawan.—Yes. They reduced the proportion of the clearance from that store and began giving salt from other stores.

President.—Will you kindly give me the prices from August?

Mr. Dhawan.—Yes.

President.—Will you be able to tell from which store it is given?

Mr. Dhawan.—We do not know from which store our indent is cleared.

Mr. Mathias.—This is merely the sale price of the indents.

Mr. Dhawan.—Yes.

President.—Of course the people who took the delivery must have lost?

Mr. Dhawan.—Yes.

President.—Will you be able to tell us how much you sold at different rates? We want to know how much you sold at Rs. 2 and how much at Rs. 5 and so on?

Mr. Dhawan.—Yes. Of course the prices of the ready salt depend upon the quality.

President.—I am coming to that. As regards ready salt, when you take delivery, it goes by quality.

Mr. Dhawan.—Yes.

President.—What is the difference between the most inferior and the best quality?

Mr. Dhawan.—The difference in quality is this. One point of difference is the size of crystals—bigger or smaller and the other is colour.

President.—The other is wet or dry.

Mr. Dhawan.—Yes, those are the three distinctions.

President.—As regards the best quality of salt, how much profit do you make?

Mr. Dhawan.—Each wagon is sold by its own quality. There is no general rate for ready wagons. Everybody goes and settles the price per wagon.

Mr. Mathias.—Can you open the bags and examine the salt?

Mr. Dhawan.—Everybody knows from which store salt is delivered.

Mr. Mathias.—Which do you consider the best salt?

President.—Supposing you had to sell this salt (sample shown) how much could you get?

Mr. Dhawan.—It is superior salt.

President.—Will you be able to sell it?

Mr. Dhawan.—It would sell at a higher rate than Sambhar.

President.—Take the smaller grained salt (Laxmi Works' salt).

Mr. Dhawan.—This can be sold in certain markets only, because there are certain markets which do not like the smaller grains but prefer bigger crystals.

Mr. Dhawan.—The salt produced by the Luxmi Salt Works is sold in Bihar.

President.—Supposing there was no Sambhar salt, would you be able to sell that in the market?

Mr. Dhawan.—Yes.

President.—If you were supplied with this salt, would you be able to sell it at the same price as the Sambhar salt?

Mr. Dhawan.—Even now, people would prefer this because it is whiter in colour and purer in quality.

President.—There are some people who would still prefer the Sambhar quality.

Mr. Dhawan.—Yes.

President.—Do you sell this rock salt?

Mr. Dhawan.—Yes, we do a little.

President.—Supposing it was sold at the same price as the Sambhar salt?

Mr. Dhawan.—People who had been used to Sambhar salt would not like it.

Mr. Mathias.—Is this rock salt mainly used for cattle?

Mr. Dhawan.—For human consumption as well as for cattle. We are selling in the markets in the United Provinces mostly for human consumption.

President.—I want prices for ready deliveries for the same period.

Mr. Dhawan.—Yes, just as to-day we say that the wagon is selling from Rs. 2 profit to Rs. 78 profit.

President.—It depends on the quality.

Mr. Dhawan.—Yes. We have got very superior quality which can be compared to the salt you have shown. It may not be so white but it is a very good salt. There are also certain varieties which we cannot sell at any price in our market.

President.—Will you give me prices for the same period from August onwards for ready salt?

Mr. Dhawan.—Yes, but it will take time.

President.—In two or three days will you be able to give it?

Mr. Dhawan.—In a week's time we will be able to give it.

President.—Supposing Government instead of selecting different heaps and so on divided the salt into two qualities by the help of a strainer—say small grained and big grained salt—will the Government get a better price?

Mr. Dhawan.—They are now selling at a uniform price.

President.—Don't you think that they would get a better price if that happened?

Mr. Dhawan.—There would be much dispute between the difference in quality and the difference in price.

President.—The whole point is this. There can be no difference of opinion about the quality. There will be strainers. Those that won't pass would be better quality. There could be no dispute if that was done.

Mr. Dhawan.—Then, no one would take the inferior quality.

President.—The difference in price may be so much that people will buy.

Mr. Mathias.—Supposing Government divided it into two qualities and fixed 6 annas for the superior quality and 4 annas for the other?

Mr. Dhawan.—At present Government have the monopoly. So, we may be compelled to buy it. Otherwise we will not go in for the inferior salt. Now we know that we are getting the worse as well as the better salt at the same price.

Mr. Mathias.—Is it not better to pay a higher price and be quite sure of the quality and pay a lower price for the inferior salt?

Mr. Dhawan.—Sometimes in the upcountry markets this distinction of quality is not maintained. There are certain markets for instance in Rajputana to which we can send this inferior salt.

President.—When you are quite certain that the crystals are above a certain size and not below a certain size, you can tell your purchaser 'here is good salt'.

Mr. Dhawan.—We could not say whether our customers would like to buy salt that way.

President.—There may be a difference of Rs. 5 per wagon.

Mr. S. Khetan.—They cannot produce so much good salt. They have to mix up what they can produce.

Mr. Mathias.—At the different sites where they produce salt in Sambhar does the quality differ?

Mr. Dhawan.—Yes.

Mr. Mathias.—What is the reason?

Mr. Dhawan.—That depends upon the brine, sub-soil conditions and so on.

President.—What about the consumer?

Mr. Dhawan.—There are certain consumers who like bigger crystals and others smaller crystals.

President.—Supposing there was only one quality?

Mr. Dhawan.—It is a question of habit.

President.—They can change from one size to another.

Mr. Dhawan.—If we compel them to take a certain variety and if they do not get what they are habituated to, they will take what is being offered.

President.—It is merely a matter of training them.

Mr. Dhawan.—The habit has to be changed.

Mr. Mathias.—In different parts of Sambhar the quality of salt differs. Would it be possible to obtain a uniform kind of salt?

Mr. Dhawan.—We do not know if Mr. McIver could do it. We have never seen them producing even one quality of salt from one kyar.

President.—By using strainers, they can guarantee the quality.

Mr. Dhawan.—Even then there is a difference in colour. Some salt is pinkish.

President.—There is no question of Sambhar quality because the quality varies so much.

Mr. Dhawan.—Apart from the question of crystals, there is the question of colour. You cannot have the same colour from all the kyars.

President.—If you are getting white salt?

Mr. Dhawan.—There are certain markets which do not like white salt but prefer pinkish salt.

President.—You cannot select it from Sambhar.

Mr. Dhawan.—We do.

President.—How do you do it?

Mr. Dhawan.—There are different colours in different stores.

Mr. Shivballabh.—We cannot get one quality here.

President.—We want reliable evidence as regards prices from your principal markets.

Mr. Dhawan.—We sell here by wagons and make some profit. In Cawnpore for instance they sell per bag. There the price is Rs. 6-2-0 per bag.

President.—How many maunds go to make a bag?

Mr. Dhawan.—2½ maunds.

President.—What I want to know is this. You have 5 or 6 branches. After the wagon goes from here to those branches, what are the expenses you have to incur?

Mr. Dhawan.—We incur freight, cartage, godown rent, interest and commission.

President.—Kindly give me figures to show how much it costs you to put it into the godown.

Mr. Dhawan.—If we take a wagon from here to Cawnpore, the charges will be as follows. The present rate of profit is Rs. 75, but the average will be say Rs. 50. The freight is 7 annas 3 pies per maund. It comes to about Rs. 122-6-0. We have to give charity at the rate of 10 annas per wagon.

Mr. Mathias.—Does that apply to all?

Mr. Dhawan.—Yes.

Mr. Walker.—Who looks after that?

Mr. Dhawan.—There is a *Ghosala* Committee. Then, the cost of bags is about Rs. 35. Cartage is Rs. 5 including unloadnig per wagon. The godown rent for 15 days comes to about a rupee. Per month it is Rs. 2.

President.—Does it take 15 days to clear it?

Mr. Dhawan.—Yes. The interest charges will be Rs. 2. Then, there is the commission which is Rs. 5.

President.—Whose commission?

Mr. Dhawan.—The agent's commission there.

President.—In your own branch?

Mr. Dhawan.—Yes.

President.—Do you charge Rs. 5?

Mr. Dhawan.—Yes. Then, we have a shortage of 3 to 7 maunds per wagon.

President.—As much as that?

Mr. Dhawan.—Yes.

President.—Do Government allow you that?

Mr. Dhawan.—They allow it only in the monsoon.

Mr. Shivballabh.—And that too very little.

Mr. Dhawan.—You may take Rs. 10 as an average. Then, there is the labour charge of Rs. 1-9-0.

President.—What labour?

Mr. Dhawan.—For the removal of salt from the godown.

President.—All these charges are more or less the same in your case.

Mr. Biswanath.—Yes.

Mr. Dhawan.—That is the total expenditure incurred for selling a wagon of salt in the Cawnpore market.

Mr. Biswanath.—The shortage figure is quite right. In the Cawnpore market they sell salt by bags and not by wagons.

Mr. Dhawan.—When the salt is sold in bags we do not lose anything.

President.—What does the total come to?

Mr. Dhawan.—About Rs. 600 or Rs. 6 per bag.

President.—Will you tell me what the actual price is?

Mr. Biswanath.—Rs. 5-14-0 to Rs. 6-2-0 or Rs. 6-3-0 per bag just now.

President.—How much a maund is it?

Mr. Dhawan.—Rs. 2-6-0 a maund.

President.—That is your first wholesale dealer.

Mr. Dhawan.—Yes.

President.—Will there be other wholesale dealers who will buy from you and sell in the Cawnpore market?

Mr. Dhawan.—There are other wholesale dealers who get this salt from Sambhar.

President.—Then, it goes to the retailer.

Mr. Dhawan.—The retailer purchases salt in bags.

President.—What is the retail price?

Mr. Biswanath.—15 to 16 seers per rupee.

President.—How many wholesalers are there after you?

Mr. Dhawan.—There is no other wholesale dealer. From our agent, the retailers will buy.

President.—He will charge his own commission.

Mr. Dhawan.—Rs. 5 per wagon. As regards other markets, excepting freight, the charges are the same.

President.—He will take Rs. 5 profit. Will he be satisfied with Rs. 5 as commission?

Mr. Dhawan.—Yes.

President.—You can have Rs. 55 *plus* Rs. 5.

Mr. Dhawan.—Yes, if we send our own wagon.

Mr. Shivballabh.—That is not always possible.

Mr. Dhawan.—This is abnormal.

President.—What is the normal rate?

Mr. Dhawan.—Rs. 10 to Rs. 15.

Mr. Shivballabh.—Rs. 15 is the utmost we can pay.

President.—Now this cornering goes on.

Mr. Dhawan.—It has to go on for at least six months.

President.—It may go on at any time.

Mr. Dhawan.—Yes, unless there is plenty of supplies.

President.—This cornering can go on even when they have 80 lakhs of maunds.

Mr. Shivballabh.—This cannot go on.

Mr. Dhawan.—Then, they will clear more salt.

Mr. S. Khetan.—It depends upon the quantity of salt available. We cannot hoard salt for long because the godown charges and other things will mount up.

President.—You can hold it for a year.

Mr. Dhawan.—Not the actual salt after it has been delivered.

President.—It can be stopped if the daily supply is maintained at a fixed level.

Mr. Dhawan.—Yes.

President.—That is to say, supposing the market requires 50 wagons a day and if the Government are in a position to give you 50 wagons or 60 or whatever the regular quantity is, then this speculation can be met to a certain extent.

Mr. Dhawan.—Yes. These higher prices represent the bigger demand. If the Government say that as the prices are very high, they will increase the clearance from Sambhar the prices are likely to come down.

President.—Does anybody stock salt in Sambhar?

Mr. Dhawan.—No.

Mr. S. Khetan.—No one can stock salt in Sambhar. We are not allowed to do so.

President.—The whole point is this. Government does not know at any time where the salt is going.

Mr. Dhawan.—They know.

President.—After you have taken delivery?

Mr. Dhawan.—They give us the railway receipt. They know the destination to which it is going.

Mr. McIver.—But the traders very often divert the wagons.

President.—So that Government have no means of finding out how much stock there is in a particular market but you would be able to know more or less. Supposing you are dealing in Cawnpore, you know from your agents there what the actual stock in the market is and what the price is, and you will send your salt according as you think best.

Mr. Dhawan.—No one wagon it is true goes to the original indicated in the indent station.

President.—Government have no means of finding out where the salt is going.

Mr. Dhawan.—We get the destination changed.

President.—If Diwan Chand is competing in the same market against you, you will try and find out what he has got.

Mr. Dhawan.—We know what quantity he has got in certain markets.

President.—Whereas Government do not know.

Mr. Dhawan.—No, unless a special officer is deputed to enquire into that.

President.—Government have no means of judging except by means of prices.

Mr. Dhawan.—The local prices form the only test.

President.—So they have started taking local prices.

Mr. Dhawan.—They are now collecting them daily.

Mr. Mathias.—You say that the charges which your agent would incur in selling the salt to your retailer would be about the same excluding the profit. What do you suggest is the charge from Sambhar to your agent? That would be about Rs. 15.

Mr. Dhawan.—Yes. That has to be incurred by anybody, and everybody.

Mr. Mathias.—That includes the five rupees to the agent.

Mr. Dhawan.—Yes.

Mr. Mathias.—After that, it reaches the retailer.

Mr. Dhawan.—Yes. There are smaller traders there who sell other things besides salt like cereals, etc. They purchase salt from wholesalers two or three bags at a time.

Mr. Mathias.—Do they purchase it from your agent?

Mr. Dhawan.—Yes.

Mr. Mathias.—Have you any information as to what rate of profit they charge?

Mr. Dhawan.—They sell at 15 or 16 seers per rupee.

Mr. Mathias.—Do they sell it by seers or do they simply give a handful?

Mr. Dhawan.—When a man goes and asks salt for a pice, he will get a handful or something like that. But if a man wants for more he will get it by weighment.

Mr. Mathias.—Supposing they get their salt from your agent at Rs. 2-8-0 per maund?

Mr. Dhawan.—We have not gone into that.

President.—Anything under a seer is not weighed I think.

Mr. Dhawan.—If a man buys salt in quantities of 5 or 6 seers, it is weighed.

Mr. Mathias.—There are two sets of customers. As regards the man who buys 5 to 6 seers the rate of profit will be 2 annas a maund.

Mr. Dhawan.—Two or three annas a maund.

Mr. Mathias.—As regards the man who buys salt for a pice or so, it may be anything.

Mr. Dhawan.—Yes.

President.—The nominal price would be Rs. 2-8-0.

Mr. Dhawan.—Yes.

President.—If anybody wants two pice worth of salt, he may get just a handful and the profit may be Rs. 3.

Mr. Dhawan.—Quite so.

President.—In Cawnpore what is your total sale?

Mr. Dhawan.—About 5 to 6 wagons a day.

President.—Your own?

Mr. Dhawan.—Altogether.

President.—How much do you sell yourself?

Mr. Dhawan.—100 to 150 bags.

Mr. Biswanath.—We have no branch at Cawnpore. Of course we have agents and sometimes when we send wagons to cawnpore, they are sold wholesale in a day or two.

President.—You will send your salt to the place where you can get the best price.

Mr. Biswanath.—Every one will do the same.

President.—Supposing there is a shortage of salt, and Goverment say we will supply you with salt of this or any other quality in Cawnpore at the same price as you are taking it from here to Cawnpore ' would you be prepared to sell it?

Mr. Biswanath.—Why not?

Mr. Dhawan.—We have ourselves tried to bring the Karachi salt into the Cawnpore market, but it could not be marketed at the same rate.

Mr. Mathias.—Was it on account of the railway freight?

Mr. Dhawan.—Yes. It would come to about Rs. 6-8-0 per bag in Cawnpore. But in certain markets as for instance in Bihar, we can market that salt in competition with Sambhar.

President.—In Cawnpore how much would it cost you?

Mr. Dhawan.—Rs. 6.

President.—That is on the present price of salt?

Mr. Mathias.—Taking Rs. 62 as the present price *ex*-golah in Calcutta.

Mr. Dhawan.—Yes.

President.—Supposing it was possible for Government, calculating every thing, to deliver this salt at Cawnpore at the price at which you could get the Sambhar salt in Cawnpore, would you be prepared to market it?

Mr. Dhawan.—Yes.

Mr. Biswanath.—Yes.

President.—But you would lose the profit of Rs. 15.

Mr. Dhawan.—Yes.

President.—Government may now find that it has got too much and say 'we will cut down the profit'.

Mr. Dhawan.—They can cut down the profit by supplying more salt.

President.—Supposing, instead of getting Sambhar salt, you get this salt at the same price with only about Rs. 10 profit per wagon, will you be able to get a better price for this salt?

Mr. Dhawan.—Yes.

President.—How much more?

Mr. Dhawan.—Say Rs. 6-3-0—we can have a premium of one anna per bag—or Rs. 6-4-0 at the most. We have also very good salt in Sambhar which will fetch the best price.

Mr. Mathias.—Supposing the Sambhar salt is Rs. 2-6-0 and Government imports at Rs. 2-10-0?

Mr. Dhawan.—They would not pay more than an anna or two.

Mr. Mathias.—If you could land it at Rs. 2-8-0, they might take it.

Mr. Dhawan.—Yes.

President.—Government will quote you the same price (free on rail destination Cawnpore) for this salt as for the Sambhar salt.

Mr. Dhawan.—The Cawnpore traders may take it.

President.—Will you be prepared to take it?

Mr. Dhawan.—There are few traders who are doing business by themselves in Cawnpore.

President.—Mr. Biswanath, will you be able to do it?

Mr. Biswanath.—Why not? Anywhere we will do it. The question of quality is going on in Sambhar.

President.—There is no question of quality.

Mr. Biswanath.—I think that there is no necessity for quality at all. If there is to be one quality in Sambhar, all the speculation will go away from here.

President.—Therefore in this (sample shown) there can be no question of two qualities.

Mr. Dhawan.—The quality which you show is specially prepared I think.

President.—So far as the size of crystals is concerned, Aden or any other place can produce it. If you keep it a little longer in the pans, there would be big crystals.

Mr. Dhawan.—That salt could not be sold in the United Provinces.

President.—Supposing Government purchase this foreign salt and quote you a price free on rail which is below the price of Sambhar salt, will not the Sambhar salt go out of the market? Government now know how much it would cost to take the salt to Cawnpore. Government can always cut down the profit of Rs. 50. They may say 'we will charge only Rs. 5 a wagon as profit'.

Mr. Dhawan.—If Government are able to supply an unlimited quantity at a lower price, nobody would refuse to take it.

President.—Also at the same price.

Mr. Dhawan.—Even at the same price, nobody would refuse it.

Mr. Shivballabh.—At present the foreign salt is consumed in Bengal.

President.—Yes.

Mr. Shivballabh.—They use crushed salt, whereas in the United Provinces and other places which take the Sambhar salt, they demand big crystals.

Mr. Dhawan.—There is no difficulty in the way of Sambhar producing enough salt to supply the whole of the United Provinces and Rajputana.

Mr. S. Khetan.—Sambhar can sell its salt cheaper than any other place.

President.—The trouble is that unless Government markets the salt itself, you may not take it. If you do not take it, Government will have to find somebody to take. You and Diwan Chand are now taking it from Government. You may say ' we will undersell the man who buys it from Government '.

Mr. Dhawan.—We won't incur any loss.

President.—You are making money at present.

Mr. Dhawan.—Yes, because no other salt can be sold in competition.

President.—If the other salt came in, you would lose the profit on Sambhar salt.

Mr. Dhawan.—Owing to the abnormal conditions, this profit comes in.

Mr. Shivballabh.—Otherwise the profit does not come to more than an anna.

President.—The prices must vary according to the conditions from time to time.

Mr. Dhawan.—Yes. We will get reports from all the branches.

President.—Mr. Biswanath, have you got anything to say?

Mr. Biswanath.—I only want to submit that there must be only one quality. If that happens, the whole speculation will be at an end.

President.—Government cannot give you one quality as they manufacture now.

Mr. Biswanath.—One quality can be manufactured very easily. If one quality is manufactured and stored, there will be no trouble.

Mr. Hoyle.—I don't see how we are going to ensure that one quality is going to be produced. If we are to insist on that, our output would become very small.

Mr. Biswanath.—You can divide it into big and small crystals.

President.—The only way by which Government can do it is by screening.

Mr. Dhawan.—Yes.

Mr. Biswanath.—People will be willing to take any quality if they don't get anything better. All that we need do is to see that the salt is pure and white in colour.

President.—Do you mean that all the salt should be put in one heap?

Mr. Biswanath.—No.

President.—All the salt can be screened, is that what you mean?

Mr. Biswanath.—Yes.

President.—There are these different heaps. Government will use some strainers. Certain size would remain and others would drop down. The bigger grains will be called superior salt.

Mr. Biswanath.—That is being consumed in the United Provinces. But you must charge higher freight on the screened salt and reduced freight on the inferior salt. The latter quality can easily go as far as Bikanir and compete with the foreign salt.

President.—It is only the United Provinces that want these bigger crystals.

Mr. Biswanath.—Yes, but there are other markets also which want these bigger crystals.

President.—Can you tell me which markets take these bigger crystals?

Mr. Biswanath.—The following markets take that quality—the market up to Mogalsarai on the East Indian Railway, up to Gorakhpur on the Bengal and North-Western Railway and some stations on the Bengal Nagpur Railway.

President.—Really speaking there are no big grains.

Mr. Biswanath.—Apart from the question of charging a higher freight on the superior salt and a lower freight on the inferior salt, my suggestion will be this that the salt manufacture in Sambhar may be carried out by

private parties. If that were done, those who have markets in the United Provinces may manufacture bigger crystals and others the smaller crystals.

President.—Do you want to split up Sambhar?

Mr. Biswanath.—Yes.

Mr. Dhawan.—That is impossible.

President.—Is there anything you wish to say about prices?

Mr. Dhawan.—We want to say something about the price charged by Government. Five annas three pies is too much.

President.—Supposing Government sold it at 4 or 3 annas, would the consumers get the benefit of that reduction?

Mr. Shivballabh.—They will.

President.—You may increase your profit.

Mr. Shivballabh.—That has never taken place.

President.—Have the prices now gone up as a result of the increase in price?

Mr. Dhawan.—They have increased the price by 9 pies per maund.

Mr. Shivballabh.—In spite of the increase, the price to the consumer has not gone up.

President.—What is the reason?

Mr. Dhawan.—The profit has been reduced to that extent.

Mr. Shivballabh.—When the duty was doubled, the rate of profit was cut down.

Mr. Mathias.—When the duty went up, why did you have to reduce your profit?

Mr. Shivballabh.—Because there was less demand. For anything that is dear, there is always a less demand.

Mr. Mathias.—In consequence you had to get rid of your quantity of salt and therefore you had to reduce your price.

Mr. Shivballabh.—Yes.

Mr. Dhawan.—Five annas does not represent the cost price to the Government.

Mr. Mathias.—Don't you know that the Government have to pay a big royalty?

Mr. Dhawan.—It must be paid from the duty.

Mr. Mathias.—Government get only two annas out of the 5 annas.

Mr. Dhawan.—Why should that burden be put on the trade?

President.—If the wholesale price was reduced, the retail price might not come down. You yourself said that when the wholesale price was raised, the retail price was not raised. So also if the price was reduced, the retail price might not come down.

Mr. Shivballabh.—No.

President.—Why not? The whole point is that the retail prices take a long time to adjust themselves.

Mr. Dhawan.—They do not adjust at once.

President.—They take a long time.

Mr. Dhawan.—By a reduction in the wholesale price, the wholesaler will be able to purhcase more salt. Then, he can reduce the price to the retailer who will give it to the consumer at a cheaper price.

President.—The whole point is whether the consumer will get it at less price.

Mr. Dhawan.—If there is a reduction in the wholesale price, we can invest more money and buy more salt and send it up.

President.—This is the only salt which pays a royalty of nearly 60 per cent. taking into account the fixed price. I do not know of any other place where so much royalty is given.

Mr. Dhawan.—This is quite abnormal this year. Moreover we had to supply depreciation on our securities.

President.—What is your security? How much credit have you got?

Mr. Dhawan.—The balance of credit is Rs. 30 lakhs.

President.—What is your credit?

Mr. Shivballabh.—They have withdrawn all securities.

Mr. Biswanath.—We have securities worth Rs. 15 lakhs with the Imperial Bank of India (1934 papers).

President.—What is your credit altogether with the Government of India for salt?

Mr. Dhawan.—Now outstanding?

President.—Yes.

Mr. Dhawan.—Rs. 19 lakhs.

President.—That is to say, still you can draw Rs. 19 lakhs.

Mr. Dhawan.—That is unsatisfied credit.

President.—And you get this 5 per cent. return on the Government securities.

Mr. Dhawan.—They have returned them. The indents are without securities.

President.—Now you get your credit for nothing.

Mr. Dhawan.—Yes, but whenever they demand any securities, we have to give them.

President.—Still, you get priority for nothing. When was this allowed?

Mr. Dhawan.—Last March.

President.—Since last March, you get your credit for nothing.

Mr. Dhawan.—At the time of deliveries, deposits are again made.

President.—Still you get priority for nothing.

Mr. Biswanath.—Yes.

President.—Both of you represent 80 per cent. of the business.

Mr. Dhawan.—Yes.

Mr. Shivballabh.—Only this year.

President.—How much business do you do in a year?

Mr. Shivballabh.—About 3 or 4 lakhs of maunds.

Mr. Dhawan.—Our business has been about 10 to 15 per cent. in the past.

Mr. Biswanath.—In 1926-27 my firm did 30 per cent.

Mr. Dhawan.—Then we did 20 per cent.

President.—Mr. Shivballabh, you do 3 or 4 lakhs of maunds.

Mr. Shivballabh.—Yes.

President.—Which is your chief market? Do you sell the wagons here or do you send them direct?

Mr. Shivballabh.—I sell them here and also send them direct. In almost all markets we deal.

President.—What do you want to say?

Mr. Shivballabh.—The first thing that we want to impress upon you is that more Sambhar salt can be manufactured in Sambhar. From the conversation I find that there is an intention to get salt from other sources to make up the deficit. I think that part of the deficit can be met out of Sambhar itself. That is one thing that you have to bear in mind. Then about the cost of manufacture, Government must provide cheap salt. I think that Sambhar or the Rajputana salt source is the only place where

cheap salt can be had. That is another point. At present the cost of manufacture is very high. If the wholesale prices are reduced, the retail prices would come down.

President.—Do you think so?

Mr. Shivballabh.—Yes.

President.—But I don't think so.

Mr. Shivballabh.—That is a thing which might be tried.

President.—It has been tried before.

Mr. Shivballabh.—When was this tried?

President.—If the price went up once, it would take a very long time to come down.

Mr. Shivballabh.—There are wholesalers and retailers. The latter only save the bag. At the rate of 10 seers a rupee, it means Rs. 2-8-0, and we have just calculated it is Rs. 2-6-0. The difference is only 2 annas.

President.—I am very much doubtful whether the retailer is satisfied with 2 annas.

Mr. Shivballabh.—Six or eight annas worth of empty bag is the thing which he cares for.

President.—If the price was Rs. 2-6-0, a maund, I doubt whether the retailer would be satisfied with Rs. 2-8-0.

Mr. Shivballabh.—Yes, and then he saves the bag.

President.—How much is that?

Mr. Shivballabh.—5 or 6 annas. This is how actually the price rules in the mufassal market.

President.—The chances are that in the mufassal they do not care about your wholesale prices.

Mr. Shivballabh.—In exceptional circumstances when there is a shortage of stock in any particular place, the price may go up. That is quite a different thing. But under normal circumstances I think that the retailers would require only that much. There are so many competitors and prices naturally adjust themselves.

President.—What have you to say to Government selling free on rail destination? Do you agree to that both as regards Sambhar and any other salt?

Mr. Shivballabh.—What harm is there?

Mr. Dhawan.—What I want to point out to you is that the railways are charging the maximum rate.

President.—It depends upon the distance.

Mr. Dhawan.—Up to a certain distance they are charging a maximum.

President.—Why should they not charge?

Mr. Dhawan.—Why should they? That is my contention. In the case of a commodity which is so necessary for human lives, why should they charge the maximum?

President.—If not, then the man at the other end, will have to pay more. If you do not pay more for your short distance then the man with a longer distance will have to pay more. Why should he suffer?

Mr. Shivballabh.—This is one of the ways by which the commodity can be placed in the various markets at a cheaper price. One way is to reduce the cost of manufacture and the other is to reduce the freight.

President.—That means that Government must give up the railway revenue. What I want to know is why should a man in Delhi get it cheaper than a man in Cawnpore?

Mr. Dhawan.—All imported articles are cheaper in London than in Sambhar.

President.—Supposing the production of Sambhar was cut down to 1 lakh of tons instead of 7 lakhs, the price would go up, for all the area near about. It is because that they are able to manufacture more than the price goes down. Therefore so long as you get it at the price which you have to pay if the production is only 1 lakh of tons, you have no reason to complain. Anyway, I don't see why you should get the whole benefit of the reduction in cost because of the greater production.

Mr. Shivballabh.—For instance, if we book a wagon to Calcutta which is over a thousand miles from here, we submit that the rate must be uniform throughout—not one rate up to Mogalsarai and another rate after that. That makes all the difference.

President.—Are you referring to the change of railways?

Mr. Shivballabh.—Yes. What I urge is that throughout there must be one rate.

President.—What I want to know is how a small trader fares as compared with a big trader? Are you at any disadvantage compared with Diwan Chand?

Mr. Shivballabh.—Only when there is a monopoly or when abnormal conditions prevail as last year.

President.—But you are benefited by the monopoly because of the rise in price.

Mr. Shivballabh.—We could not do it.

Mr. Biswanath.—The small trader under normal circumstances should have more outturn and get more profit. Under the exceptional circumstances, he could do business only once and get more profit.

President.—The only remedy is for Government to maintain at each and every place the same price free on rail destination. It does not matter where the salt comes from.

Mr. Shivballabh.—Yes.

Mr. Dhawan.—Then of course the middleman will be eliminated.

Mr. Biswanath.—Then the Sambhar market will be finished.

President.—Government will sell Sambhar salt where it pays them.

Mr. Shivballabh.—It will be difficult for them to manage its business.

President.—Government won't do it. They may give it to you or to Diwan Chand who will be able to do it.

Mr. Dhawan.—Yes.

Mr. Shivballabh.—Prices may come down and go up in 24 hours.

President.—You know that petrol is sold at the same price at which the company fixes. Nobody has to pay more or less. In the same way salt can be sold. In the case of petrol it is sold at a fixed price and there is no speculation.

Mr. Biswanath.—Only sellers can get profit.

President.—Yes, the profit which the company or Government give them.

Mr. Biswanath.—Yes, and not the middlemen.

Mr. Shivballabh.—That will happen when the supply is adequate.

President.—I am supposing that.

Mr. Shivballabh.—Then, it is all right. If the supply is adequate, there cannot be any question of profiteering.

President.—What I want to know is supposing Government abolished this system and said 'we will give you a fixed commission'.

Mr. Shivballabh.—If you have plenty of salt, it is all right.

President.—Supposing it cannot be done. Then Government say 'we will supply you with salt at a price to be fixed for every destination'.

Mr. Shivballabh.—As they are doing it in the Jodhpur State.

President.—As they are doing in the case of petrol. What is the fair commission that the middleman ought to get?

Mr. Biswanath.—Anybody who undertakes to sell it or these people.

President.—These people go out.

Mr. Biswanath.—Three pies was the commission according to the agency system.

President.—That was a rotten system.

Mr. Dhawan.—Five per cent. will be enough to meet all the expenses.

President.—Will you be able to market it at that rate?

Mr. Dhawan.—If five per cent. is given we will take it up.

Mr. Shivballabh.—That can be easily managed by the tender system.

President.—No tenders at all. There is only one selling agency. It may be Government or a private company which sells the whole of the salt that is required.

Mr. Biswanath.—In retail?

President.—To the wholesale dealers and it says 'this is the price'.

Mr. Biswanath.—There must also be a guarantee from the retailers.

President.—Retailers you cannot control. Do you agree that five per cent. is sufficient?

Mr. Biswanath.—Five per cent. is sufficient.

President.—You will have to give up Rs. 50.

Mr. Biswanath.—Yes.

Mr. Dhawan.—I hope that there will be no nepotism in giving this agency.

President.—Nepotism is a difficult thing to manage.

Mr. Biswanath.—The man who can do it cheaper will get it.

Mr. Dhawan.—In the case of petrol, they are giving agencies to their favourite people.

President.—That cannot be helped. Anyhow the price can be fixed.

Mr. Dhawan.—Yes.

President.—So, there is no speculation.

Mr. Dhawan.—That is true.

President.—Salt is such an important commodity that there should be no speculation from the people's point of view.

Mr. Dhawan.—Yes.

President.—Government will guarantee that under all conditions salt will be sold at a certain price—free on rail *ex*-golah *plus* freight or whatever it is.

Mr. Dhawan.—Even under such a system, if there is a shortage of salt?

President.—Government or the company will see that there is no shortage.

Mr. Shivballabh.—If there is no shortage, there is no necessity to have this new system.

Oral evidence of Mr. JAGAT NARAIN, Inspector, Northern India Salt Revenue Department, Pachbadra, recorded at Pachbadra on the 12th December, 1929.

(Mr. Hoyle and Mr. McIver were present.)

President.—You are an Inspector.

Mr. Narain.—Yes.

President.—How many pits are being worked here?

Mr. Narain.—298.

President.—That is since last year.

Mr. Narain.—Yes.

President.—Are they all old?

Mr. Narain.—New pits are also there. But last year there were no new pits dug.

President.—How are the pits worked?

Mr. Narain.—The pits are worked by rotation. The pits which have been exhausted are abandoned.

President.—The total number of pits is 298.

Mr. Narain.—Yes, the total number of working pits is 298.

President—At first it was 1,000 pits.

Mr. Narain.—Yes, including the past used pits.

President.—Last year 3 lakhs of maunds were manufactured.

Mr. Narain.—Even more.

President.—But not much.

Mr. Narain.—In 1921-22 we produced as much as 558,976 maunds.

President.—At that time how many pits were you working?

Mr. Narain.—The same number of pits.

President.—298 only?

Mr. Narain.—Yes. We did not dig all the pits in 1921-22 but only a certain number of pits.

President.—I don't understand.

Mr. Narain.—We have 298 working pits. Out of this we extract salt from about 150 pits one year and the rest next year.

President.—When did this 3 lakhs rule come in?

Mr. Hoyle.—It was sometime in 1927.

President.—In 1925-26 it was 226,000 maunds.

Mr. Narain.—Do you mean clearance or output?

President.—Total production.

Mr. Narain.—In 1925-26 it was 436,000 maunds.

President.—Then you worked 298 pits.

Mr. Narain.—Yes. Out of 298 pits we took salt only from a certain number of pits.

President.—That is what I mean. Only a certain number of pits were used in the production of that quantity.

Mr. Narain.—Yes.

President.—How many?

Mr. Narain.—That I cannot say unless I see the records.

President.—Now you are producing 12 lakhs.

Mr. Narain.—This year we are going to take salt out of 110 pits this side and about 56 on the other side—166 pits on the whole. Out of these pits we expect to extract about 14 lakhs of maunds.

President.—Do you expect to get 14 to 15 lakhs?

Mr. Narain.—Yes.

President.—How much per pit?

Mr. Narain.—Roughly 9,000 maunds.

President.—What is the size of a pit?

Mr. Narain.—There are two different sizes.

President.—What is your standard size?

Mr. Narain.—200′ × 50′.

President.—That is 10,000 sq. ft.

Mr. Narain.—Yes.

President.—From that how much salt do you get?

Mr. Narain.—We expect to get about 10,000 maunds of salt if the brine is of good quality and if there is sufficient brine.

President.—Last year you actually did get 9,000 maunds on an average. Last year how much did you extract?

Mr. Narain.—Nearly 12 lakhs.

President.—Out of how many pits?

Mr. Narain.—143 pits.

Mr. Singh.—That gives an average of 8,000 maunds.

Mr. Narain.—But some of these pits are very large.

President.—The average size is 200′ × 50′.

Mr. Narain.—Yes. If these pits are renovated, they can give about 10,000 maunds each.

President.—What do you mean by renovating?

Mr. Narain.—Cleaning the pits.

President.—After you had taken the crop.

Mr. Narain.—Yes, after the 4th or 5th crop.

President.—That is after 7 or 8 years.

Mr. Narain.—Yes.

President.—You don't want to clean it every year.

Mr. Narain.—After the salt is taken out, whatever has settled down is removed.

President.—When the pit is renovated, how deep is it?

Mr. Narain.—12′.

President.—How much brine do you get? Would it be 3′?

Mr. Narain.—It depends on the locality. The depth of the brine is 1½ to 2′. If fresh brine comes in, then the quantity may be more.

President.—As the brine gets evaporated, more brine comes.

Mr. Narain.—When we dig the pit, fresh brine comes in.

President.—That gives you a depth of 1½′.

Mr. Narain.—Yes.

President.—So far as you know—you have been working 300 pits—do you get the necessary quantity of brine or is there any shortage of brine?

Mr. Narain.—In some there is shortage and in some there is not. Especially when there is enough rain, we get more brine and that helps us.

President.—What is the strength of the brine when the rain comes?

Mr. Narain.—About 5°.

President.—That would be at the beginning of the monsoon.

Mr. Narain.—At the beginning of the monsoon, the old brine will be 25° or 26° and sometimes more.

President.—After the monsoon?

Mr. Narain.—It will come down. When the fresh water comes, the strength of the brine will go down.

President.—After how long does it become 25°?

Mr. Narain.—When the rain water evaporates.

President.—How long does it take generally to reach a density of 25° from 5°?

Mr. Narain.—Generally in the months of October and November pits are ready for extraction. It reaches about 25° then.

Mr. Mathias.—In two months?

Mr. Narain.—Yes.

Mr. Mathias.—I thought that a crop was taken only once in 18 months.

Mr. Narain.—I am talking of the pits ready for extraction.

President.—I don't understand.

Mr. McIver.—When the salt has been extracted, the pits are cleaned or scraped.

President.—The brine that we saw in the pits in the morning would still remain there.

Mr. McIver.—That brine remains there.

President.—The pit underneath the brine is cleaned.

Mr. McIver.—Yes, and the scrapings put on the edge of the pit.

President.—That is about 25°.

Mr. McIver.—It won't be 25°, because fresh brine has percolated in.

President.—After extraction, how much would it be?

Mr. Narain.—It may be 15° or 20°.

Mr. McIver.—When the brine reaches saturation point and salt has begun to deposit in the pit, the pit is floated with thorns.

President.—We are in December now. They have extracted the salt, so the pit is clean. Then if it is 15° or 18° just now, in a very short time, it may get up to saturation point.

Mr. McIver.—It may get up in a fortnight or a month.

President.—That would be about the time.

Mr. McIver.—Yes.

President.—In about January or February, it is about 25°.

Mr. McIver.—Yes.

President.—Then they put in the shrub.

Mr. McIver.—This thorn shrub is floated on the top.

President.—It remains there.

Mr. McIver.—It sinks down. As it absorbs the moisture, it sinks down; and the salt crystals begin to form on it.

President.—That will go right through the monsoon.

Mr. McIver.—It will sink down below. Salt will form on it and it will pass through the entire monsoon season.

President.—What I cannot understand is why should it be allowed to remain there throughout the monsoon.

Mr. McIver.—That is the process. The Kharwals who are the actual pitowners should know more about it.

President.—I am asking you as an expert. Is there any reason for it?

Mr. Narain.—The salt is not matured before 18 months.

President.—Why should it not?

Mr. McIver.—It is the hardness of the crystal which we want. It would compare with good Karachi salt.

President.—I don't see the point. The whole point is you allow the salt to remain through the monsoon. A good deal of it must again get dissolved.

Mr. McIver.—Very little of it, on the surface, because it is forming below: it is only the surface brine that weakens.

President.—Even from October to February or March, it is a long time for the crystals to form surely. These people have followed this process from time immemorial. It may be a very easy process. Whatever it may be why should we always follow it and stick to it without trying to find out whether it is necessary or not?

Mr. McIver.—We have kept to that process right through.

President.—There is constant percolation as well.

Mr. Hoyle.—Insufficient brine will have percolated through. You must give sufficient time for the brine to percolate into the pit.

Mr. McIver.—Once the thorns have begun to sink below, the salt will form on them.

President.—After the salt is ripe, really speaking you allow it to remain for six or eight months and even more: why?

Mr. McIver.—They don't consider it ripe before.

President.—By whom is it not considered ripe?

Mr. McIver.—By the kharwals.

President.—Have you ever tried to see at that stage what it is like?

Mr. McIver.—We have never extracted it at that stage.

Mr. Hoyle.—In the early stages it is not considered mature.

President.—It is not considered so by people who want big crystals.

Mr. McIver.—Either big or hard crystals.

President.—When you are not getting any better price, when it is not proved that the salt is any the better for it, simply because the traders tell you that it should have this hardness or whatever it is you keep it for six months or even more.

Mr. Hoyle.—If we extracted it while it was soft; and if there was a shower of rain, we might find that there was no salt.

President.—In other places they manufacture salt also. Take France or Italy or any other place where the climatic conditions may be less favourable, than yours. I doubt very much whether they will keep it for as long as 15 months. I don't know. I simply want to understand the reason. I want to know whether there is any real reason for it. What would the salt be like if you extracted it in November or December? Have you got any specimens?

Mr. McIver.—No.

President.—Some salt which we were shown as capable of being produced in a month's time looked all right. It did not contain big crystals, but it was certainly the kind of salt produced in other places.

Mr. Mathias.—Has it got anything to do with the market? These people who manufacture are poor and consequently not able to stack their salt during the monsoon. Perhaps they don't think that it is worth while extracting until after the monsoon.

Mr. McIver.—During the monsoon our clearances come down.

Mr. Mathias.—They are very small people. If they extract their salt in the hot weather, they may have to store it. Do you think there is anything in that view?

Mr. McIver.—No. I don't think that there is anything in it.

Mr. Mathias.—You think that it is due to the quality of the salt.

Mr. McIver.—Yes.

President.—Nobody seems to bother about finding out whether any change can be made in the processes that have come down from time immemorial. I don't say that what I am saying is right. But am I not justified in asking you what is going to happen? What sort of salt would it be if you did not allow it to remain as long as you do. When you reach the saturation point soon after the monsoon, what is the object of letting the advantage go? Anybody who has got the brine at the saturation point would say 'I have got it and I will manufacture salt as much as I can'.

Mr. McIver.—That is the process which has always been followed from time immemorial.

President.—That is no explanation of it, Mr. McIver!

Mr. McIver.—We have not experimented in any other way.

President.—You get the brine at saturation point in October?

Mr. McIver.—Yes.

President.—You have got to precipitate the salt. Why take 15 months after that to do it?

Mr. McIver.—If you took it out in a very short time, your output would be less.

President.—With that I am prepared to agree.

Mr. McIver. I don't think that the salt would be of a hard quality. With a shower of rain on the salt (which is stacked in the open) it would dissolve; and there would be greater loss.

President.—With those *a priori* arguments I am not prepared to agree. I want to know really whether this has happened.

Mr. McIver.—We have not experimented with it.

Mr. Hoyle.—It might be injudicious, might it not, to scrap a system which has supplied the amount of salt that is required in favour of a new system and thus get complaints from the trade and great losses in stock.

President.—That is no reason to stick to a system which you could improve upon. But you have not actually tried it.

Mr. Hoyle.—Who is to pay for the experiment?

President.—You. We may be at least 5,000 years behind if we stick to processes which were invented by our forefathers 10,000 years ago. That is no reason for not making experiments.

Mr. Hoyle.—The kharwals might complain if their pits were selected.

President.—Let them complain. If you are to stick to a system merely because somebody else has introduced it and we have found it convenient, no progress can be made at all.

Mr. Hoyle. Don't you think that the question of quality is rather important? Our system must deal with large grained salt.

President.—I don't follow your idea of quality.

Mr. Hoyle.- I suggest that quantity might be reduced.

President.—I am not convinced that the quantity would be reduced. I don't know what the quantity of brine available is and what quantity is wasted. I cannot say at all. But what I suggest is that as regards this quality, really far too much is made out of it. Here I have got three samples selected from three different heaps. Which is the special quality in these three? You can only say that a certain percentage of the bigger crystals is made in Pachbadra, but from what I see the percentage is exceedingly small. In order to get that percentage, if you say that every other consideration should be sacrificed, I can hardly follow. If all your salt was of that quality, normally, there may be something in it and then there may be a quality here. I have got 3 or 4 samples selected from the different heaps. How can you say that there is a Pachbadra quality in this? Any other salt works, if they wanted, could produce a certain percentage of these big crystals, but they don't produce that quality, because it doesn't pay them. I think that it would be an advantage if somebody in

the department anyhow carried out an experiment and collected data to show what happens, whether it is really necessary to have practically two monsoons or two hot weathers. I do not know whether it is two monsoons and one hot weather or one monsoon and two hot weathers.

Mr. McIver.—It requires 18 months.

Mr. Hoyle.—A further argument occurs to me in favour of our present method and that is this: The second crop would probably have to be harvested or most of it during the most unfavourable month for harvesting —that is the sand storm season.

President.—But why?

Mr. Hoyle.—I should think so. Say we extracted a crop in October or November. I think you will get very little crop to extract during the next two or three months. Probably you will have to wait till March or April. You will get your salt mixed up; so that if Pachbadra is dubious now, it will be still more so.

President.—In respect of your one crop, you are not getting storm dust.

Mr. Hoyle.—It is better to have the sand storm on the surface of the pit than have it on the salt as you are extracting it.

President.—I understood that March was the worst month for sand or dust storms. I understood under the present method, you went on extracting during the months of April, May and June.

Mr. Hoyle.—Yes.

President.—So that the difficulty would be no greater if you took out one crop in October.

Mr. Hoyle.—We get most of our crop before the end of March.

Mr. McIver.—If we adopt your system, we are liable to get a larger percentage of sand than we do now.

President.—I find it very difficult to follow this method. As I say, I don't claim any expert knowledge of it. But it does seem to me that it is carrying things a little too far. I may be quite wrong. Take Aden for instance where they have big grained salt. After they get up to 25° in a very short time they get the crop.

Mr. McIver.—It is different in the pans.

President.—These become pans.

Mr. Hoyle.—I was wondering whether the kharwals could get easily and conveniently labour for the two extractions.

Mr. McIver.—I very much doubt it.

President.—What we have been considering is the abolition of the kharwals as a direct agency. We start with everything that our ancestors left us—the kharwals, the process and everything. Then we say 'we have got these things and we cannot do any better'. That is the position.

Mr. Hoyle.—It would be easier to adopt a new system without the kharwals than probably with them. If you are going to consider the kharwals who are dependent for their livelihood on this, and adopt, which would be easier for them, they would be more willing to continue the old system than to progress.

President.—Government have very nearly deprived them of their livelihood. And so I don't think that there is very much in that argument.

Mr. Hoyle.—It is not likely to be adhered to for long.

President.—Anyhow the extraction has been between 4 lakhs and 5 lakhs of maunds, whereas they say that they can produce a good deal more. You cannot base an industry merely on giving a pittance to the kharwals and others.

Mr. Hoyle.—It is not correct to say that our extraction has been between 4 lakhs and 5 lakhs. Our last season's extraction was 11 lakhs.

President.—Yes, because there was a shortage in Sambhar. As I was saying a little while ago, you might change your mind again when Sambhar appeared to do better. I don't see any definite policy in this.

Mr. Hoyle.—I am not competent to say what the Government will decide.

President.—That is the whole thing.

Mr. Hoyle.—For the present I think it is contemplated that we should continue extracting at about the present scale.

President.—What is the cost of making one of these pits?

Mr. Narain.—Do you mean to dig a new pit?

President.—To dig a new pit of 200′ × 50′.

Mr. Narain.—About Rs. 1,700.

President.—Is that paid by the kharwal?

Mr. Narain.—Yes.

President.—Government does not do anything.

Mr. Narain.—Only in certain cases advances are made.

President.—Eventually it is the kharwal who pays for it.

Mr. Narain.—Yes.

President.—For this As. 1-9 you pay, he digs the pit, produces the salt and hands it over to you.

Mr. Narain.—Yes.

President.—The price includes all that.

Mr. Narain.—Yes.

President.—A pit after it is made lasts for many years.

Mr. Narain.—Yes, if the pit is kept in good condition.

President.—Can you tell me from your records what is the age of the oldest pit that is actually being worked? If you like you can send this information afterwards.

Mr. Narain.—Yes.

President.—What is the cost of renovation?

Mr. Narain.—About Rs. 700 to Rs. 800.

President.—That is after every 7 or 8 years.

Mr. Narain.—Yes, after 5 or 6 crops.

President.—That is after 10 or 12 years?

Mr. Narain.—After 9 or 10 years.

President.—That means practically remaking the bottom of the pit?

Mr. Narain.—Yes.

President.—What you save is the expense of digging the pit.

Mr. Narain.—Yes.

President.—You have got three qualities, *viz.*, Nos. 1, 2 and 3. When was this rule introduced prescribing these three different qualities?

Mr. Narain.—Last year.

President.—Can you tell me how much you got last year of these three different qualities?

Mr. Narain.—I shall send you this information later.

President.—I would like that information. The way you decide the quality is you look at a heap and see some big crystals in some of them and say at once that this is the first quality.

Mr. Narain.—Yes.

President.—If you see slightly less big crystals, you will say it is second quality and similarly you will decide the third quality, I take it. There is no standard as to what the crystals ought to be like, how big they should

be or what percentage of the total heap they ought to contain. Can anybody tell me that? It does seem to me to be a very arbitrary way of fixing the quality.

Mr. Mathias.—Does your quality depend on the pits?—I mean are there certain pits which produce No. 1 quality, certain pits No. 2 qualities and certain pits No. 3 quality.

President.—Does it go by pits?

Mr. Hoyle.—It varies from year to year.

Mr. Mathias.—You inspect the salt and determine whether it is first quality, second quality or third quality.

Mr. Narain.—Yes.

Mr. Mathias.—You don't say that No. 236 pit produces all first quality salt.

Mr. Narain.—No.

President.—Who decides the quality?

Mr. Narain.—The Superintendent decides it.

President.—It is all a matter of chance.

Mr. Hoyle.—No.

President.—Here are big crystals and there are 15 different sizes. What is the smallest that you are prepared to accept and what is the biggest, no one can tell me, nor can any one tell me how much of each kind of salt is in it, because some heaps contain a few big crystals—only a certain percentage, therefore it becomes first quality and another heap which might not contain any big crystal, but may be of very good crystals of a smaller size and uniform quality, that would be according to your classification second grade.

Mr. Mathias.—Or even third grade?

Mr. Narain.—Yes.

President.—I can understand the qualities being prescribed when there are certain standards by which you can test them, but I cannot understand how anybody can say what quality a particular heap is by merely looking at it, by seeing a few crystals here and there. These samples that they gave me are, I take it, extra special samples. If a heap was like that, I can understand the first quality. If the second quality consisted of one grade of salt, I could say that it was second quality. When all heaps are mixed more or less, I would find it very difficult personally to be able to judge what quality it is. From what I can see I find that there is no standard prescribed except what the Superintendent thinks. Are there any standards prescribed by Government?

Mr. Hoyle.—No. You might say that standards are passed from one Superintendent to another.

President.—They don't exchange eyes!

Mr. Hoyle.—When one Superintendent gives over charge, he takes his successor round and shows him the heaps and tells him of the various qualities.

President.—I don't say that it is not a rough and ready way of settling the claims.

Mr. Hoyle.—It generally seems to work out satisfactorily, because we get very few complaints.

President.—It depends on how much you pass as first grade. If the bulk of the salt is paid for as first quality, naturally there won't be any complaints.

Mr. Hoyle.—I don't think so. I will give you the percentage of this year's working. It is rather instructive. During the last season from September 1928 to August 1929, 1,125,000 maunds of salt were extracted from the pits. Of this 4,696,510 were classed as first, 410,130 as second and 245,371 as third.

President.—That is, about a third of that is first class according to this classification.

Mr. Hoyle.—Rather more than that.

President.—A little more. Of that really, how much would be first quality if it was sifted, one could not tell.

Mr. Hoyle.—No.

President.—What it comes to is this: in order to get this one third of what you call first quality perhaps you are having an over-elaborate method which may be more expensive than it is really worth having. Now having got these three different qualities, when you sell it, what do you do? You don't get different prices.

Mr. McIver.—We don't sell it at different prices, but at one price.

President.—Who determines?

Mr. McIver.—Who determines what? Do you mean the selling price?

President.—When you make up your consignment, do you keep the heaps separate? How do you sell these three qualities?

Mr. McIver.—They are all sold at the same price. There is no difference in the selling price.

President.—One man may get the first quality, another man second quality and a third man the third quality.

Mr. Hoyle.—It keeps our cost of manufacture down.

President.—Having got these three different qualities what use do you make of these? You say your market wants these big crystals. I can understand if you put it into the market, but you mix this up with the other qualities.

Mr. Hoyle.—We have not classified our markets. We don't say that we have certain markets which we want to supply with the first grade and the other markets with the other grades.

President.—I want to see the purpose of this classification apart from the settlement of the claims of these kharwals. I have been told that there is Pachbadra quality and people won't take any other. When you sell this salt, two-thirds of your salt is really no different from the uncrushed salt from other parts of the world. As regards one-third, you do not know how much would be regarded as first quality.

Mr. Hoyle.—No.

President.—I want to know what purpose this classification serves.

Mr. Hoyle.—It serves as a compromise between making our cost of manufacture too high and making the kharwals discontented.

President.—On the whole the kharwal gets As. 1-9.

Mr. Hoyle.—Yes. He is lucky if he gets more.

President.—How does it affect your average cost of production?

Mr. Hoyle.—In a way it offers some kind of incentive to the kharwal to be careful and industrious. If we pay them a flat rate, there will be no incentive to them to improve the salt.

President.—That is the purpose of the classification.

Mr. Hoyle.—Yes, I think you might call it so.

President.—There is no point in saying that it is the market that wants it. This is merely to make the kharwals conform to certain minimum standard.

Mr. Hoyle.—Yes. But still I think that our notion of what the market wants is one of the factors which suggest to us that we should endeavour to make the kharwals conform to certain standard.

President.—What it is that your market wants, I have not been able to follow.

Mr. Hoyle.—We believe that the market likes a fairly well-matured salt.

President.—½rds of it on your own figures is not well-matured and it is not big crystals.

Mr. Hoyle.—No, but we try to give satisfaction. We try to keep our standard up as far as we can. If we fail, it is because it is difficult to expect perfection. We do our best. That is all we can say. In order to stimulate our kharwals from whom we buy this salt to do their best we put a premium on their labour and pay rather more for the salt carefully manufactured than for the salt which has been less carefully manufactured.

President.—When all is said and done, there is no standard by which this quality can be ascertained.

Mr. Hoyle.—It would be difficult to fix a standard. I do not know how it could be done.

President.—Nor do I. These samples were collected by you this morning for us and in your opinion they represent the different qualities.

Mr. Narain.—Yes.



Evidence of SETH GULAB CHAND, General Salt Merchant, Pachbadra City, recorded at Pachbadra on the 12th December, 1929.

(Mr. McIver and Mr. Hoyle were present.)

B.—ORAL.

President.—How long have you been doing this business?

Mr. Gulab Chand.—For the last three generations.

President.—In Pachbadra?

Mr. Gulab Chand.—Yes. I have been doing this business since I became of age. My forefathers were doing this salt business previous to that.

President.—What is the total amount of business that you are doing here?

Mr. Gulab Chand.—About 250 to 300 wagons.

President.—Do you do any business in Sambhar?

Mr. Gulab Chand.—No.

President.—Do you pay any advance to the kharwals?

Mr. Gulab Chand.—No.

President.—You only buy Government salt.

Mr. Gulab Chand.—Yes.

President.—Where do you sell?

Mr. Gulab Chand.—In the United Provinces, the Central Provinces and Bihar.

President.—Only a small quantity of salt goes from here.

Mr. Gulab Chand.—There is not much demand. From the war time Karachi salt is taken there.

President.—Leave out Karachi. Speak about Pachbadra.

Mr. Gulab Chand.—It does not pay me on account of freight.

President.—In the United Provinces and the Central Provinces I want to know whether Sambhar salt is preferred or Pachbadra salt.

Mr. Gulab Chand.—Both the salts are sold at the same rate. In some places the Pachbadra salt is sold at a higher rate.

President.—In Rajputana Sambhar salt is consumed more?

Mr. Gulab Chand.—In the United Provinces and the Central Provinces Pachbadra salt is preferred.

Mr. Mathias.—We have heard that Sambhar salt is consumed there much more.

Mr. Gulab Chand.—From my experience, I can say that on the Saugor side Pachbadra salt is consumed much more.

President.—Is it not true that wherever Sambhar salt is sold, Pachbadra salt is also sold speaking generally?

Mr. McIver.—That will be for the trader to say.

President.—What is your experience?

Mr. McIver.—I really find that Sambhar salt has preference in a good many market.

President.—Over Pachbadra.

Mr. McIver.—Yes.

President.—There has been very little of Pachbadra salt recently. The point is that the trader naturally will prefer that salt which he can get in whatever quantities he wants. Therefore he would not be in favour of pushing Pachbadra salt, because he is not sure that he will get it. Is not that so?

Mr. McIver.—Yes.

President.—He can depend more on getting his supply of Sambhar salt than of Pachbadra, because the policy of the Government has not been very uniform as regards Pachbadra.

Mr. McIver.—The output from Pachbadra has been very much less than that of Sambhar.

Mr. Sumer Chand.—There is one point to be noted in this connection. There is no credit system applicable to Pachbadra.

Mr. Gulab Chand.—I would like to have the credit system.

President.—You want this credit system to be introduced so that there might be speculation also here.

Mr. Gulab Chand.—No. My submission is that under the credit system there is the advantage of saving in interest for a period of six months. Here I want to point out that with the reduction of freight since last year we have been able to market 12 lakhs or more of this salt whereas when the freights were higher, we could not sell very much. First of all the price of Sambhar salt was more than the price of Pachbadra salt. Gradually the prices have been made equal, with the result that the Pachbadra business was stopped for five or six years.

President.—According to the Government's calculation, the difference between Pachbadra and Sambhar came to one rupee.

Mr. Gulab Chand.—Naturally when production became less, the cost was high.

President.—I take it that that was due to the fact that the Government establishment remained the same, though the production has gone down.

Mr. Hoyle.—Yes.

President.—The new price is As. 5 for Sambhar and As. 4 for Pachbadra.

Mr. Gulab Chand.—In all markets the prices of Sambhar and Pachbadra salts are the same.

President.—If there was a difference between the two as before Pachbadra salt would be sold more.

Mr. Gulab Chand.—Yes.

President.—You extracted 12 lakhs of maunds last year.

Mr. Gulab Chand.—Yes.

President.—Are you supplying Pachbadra salt against Sambhar indents or are these separate?

Mr. McIver.—Sambhar indents have been transferred here.

President.—You mean to Pachbadra.

Mr. McIver.—Yes.

President.—The shortage is rather against the indents than against the demand.

Mr. McIver.—10 lakhs of maunds have been washed away in Sambhar and all the indents which we had there were transferred here.

President.—The increase in the amount of indent is not by any means an increase in the demand for salt in the country.

Mr. Hoyle.—No.

President.—The demand of the country did not jump up from 18 lakhs in August or September to 90 lakhs in November or December.

Mr. Hoyle.—No.

President.—What is the policy of the Government as regards Pachbadra.

Mr. Hoyle.—You mean as regards the future extraction or normally speaking? Our policy is to make as much salt as we can at Pachbadra.

President.—But he says he can give you 50 lakhs of maunds.

Mr. Hoyle.—I think he is optimistic. It is a most startling disclosure. It is a figure which no officer in my department has ever dreamt of as being within the bounds of possibility.

Mr. Mathias.—Will you take it if he can make it?

Mr. Hoyle.—You are asking me to commit the Government to something rather bigger than has been contemplated.

President.—If the Government goes about saying that they would get about as much salt as Pachbadra can make, Government are making a statement which would induce these fellows to run their output to 25 or 30 lakhs and again they might be in the soup. It is better for the Government to say 'we will take so much and not as much as you can produce'. I don't say that the views of the Government are wrong or that these people are wrong. What I say is simply this: if the Government were to say to these people, that Government would buy as much as these people could produce and supposing these people turned out to be right, what would be the Government's position?

Mr. Hoyle.—I am not prepared to say off hand that Government would take 50 lakhs in what seems to be the unlikely event of that amount being available

President.—When Government said that they would take as much salt as Pachbadra could produce, Government must have made an estimate.

Mr. Hoyle.—We have regarded Pachbadra as capable of producing in a good season and with everything working fairly—the season being not unduly unfavourable and the kharwals not being influenced by agitators and labour being reasonably available—something like 12 to 14 lakhs of maunds.

President.—What do you mean by agitators?

Mr. Hoyle.—Last year they came under the influence of agitators to a certain extent. They were dissatisfied with the conditions imposed by Government.

President.—What is an agitator?

Mr. Hoyle.—That is a question I have been asked before. An agitator was defined by one of my officers at Khewra as a person who does no work and makes a lot of noise.

President.—Mr. Gulab Chand, I hear that you took some part in the strike that took place.

Mr. Gulab Chand.—No.

President.—Was there no strike?

Mr. Gulab Chand.—No.

President.—What happened?

Mr. Gulab Chand.—Nothing happened.

President.—Mr. Strathie mentioned that there was some strike.

Mr. Sumer Chand.—In Mr. C time, the kharwals wanted an increase in the rates. Mr. Scott came here and made some settlement.

Mr. Mathias.—Then Mr. Gulab Chand was incorrect in stating that there was no strike.

Mr. Hoyle.—He was entirely incorrect.

Mr. Sumer Chand.—Mr. C wrote to me saying that these people were giving him trouble.

President.—Was Mr. Gulab Chand one of them?

Mr. Gulab Chand.—No.

Mr. Sumer Chand.—He wrote to me saying that the kharwals were giving him trouble. I sent my Assistant down and then Mr. C wrote to me that the trouble was over.

Mr. Mathias.—Did the work continue during the whole time?

President.—Mr. Strathie says that the strike did occur in 1922-23.

Mr. Gulab Chand.—It was a long time ago and so far as I know there was no strike.

President.—Do you think it was only his imagination?

Mr. Gulab Chand.—Might be.

Mr. Sumer Chand.—Mr. C made some reference to an incident that took place about a year or two ago.

President.—What happened then?

Mr. Sumer Chand.—They threatened to go on strike. They wanted their rates to be increased. Mr. C who was Superintendent here said that the rates were quite fair. In the meantime the officiating General Manager Mr. Scott came here. He thought that the wages were very low and recommended an increase in their wages.

Mr. Hoyle.—That is not a very accurate account. Mr. Sumer Chand, were you here at that time?

Mr. Sumer Chand.—Mr. Scott met me and told me.

Mr. Hoyle.—What happened was this: the kharwals were dissatisfied with the rates which had been fixed by Government as the price to be paid to them for the salt they supplied.

President.—What was the rate?

Mr. Hoyle.—Government fixed a uniform rate—a flat rate of As. 1-6 a maund. They were dissatisfied with that. They said that the rate was low and objected to the order which Government passed that the best quality only should be accepted. Classes 2 and 3 should not be accepted. They were dissatisfied with these orders and definitely refused to work their pits. This went on for some weeks. A few pit owners agreed to work and did work, but we got practically no salt out of the pits at all. They hardly began to work in October and very little was got out in November or December. The General Manager Mr. Scott did his best to induce them to start working and Mr. Reid. the Deputy Commissioner came here and finally induced them. He did not make any promise, but pointed out to them that it would be more sensible to do some work even if the rates were low than not to do any work and not get anything. In the meanwhile he recommended that the rates should be increased and that three scales should be adopted, that is to say we should pay for three classes of salt. I sent this up to the Central Board of Revenue with every strong recommendations that the proposal should be accepted and it was accepted. When this was done, all the pit owners started working.

President.—How do wages work out on an average?

Mr. Hoyle.—As. 2 for the 1st quality, As. 1-9 for the 2nd quality and As. 1-6 for the third quality. The average is As. 1-9.

President.—They are getting an average of 3 pies more.

Mr. Hoyle.—They are getting a good deal more, because they were not getting anything for second and third grades.

President.—Then it was not a strike at all.

Mr. Hoyle.—It was a hartal in the ordinary sense of the term.

Mr. McIver.—There was a total dislocation of the work.

Mr. Sumer Chand.—I simply heard that these people were giving some trouble and I sent my Assistant down.

President.—How many big traders are here at Pachbadra?

Mr. Gulab Chand.—20 men who do 200 wagons.

President.—Where did they all get so much business? Do you take fresh indents against Pachbadra or simply deliver Pachbadra salt against Sambhar indents?

Mr. McIver.—We are delivering Pachbadra salt against Sambhar indents.

President.—These gentlemen haven't got any Sambhar indent. How do they get business?

Mr. Gulab Chand.—We simply buy the indents from Sambhar and do business.

President.—How much profit have you got to give?

Mr. Gulab Chand.—Up to Rs. 40 per wagon. At the present moment I pay a profit of Rs. 56 per wagon. What I get is a commission of two or three per cent. which I receive from my up country buyers.

President.—Is there any settled policy as regards Pachbadra? Are you going to sell Pachbadra salt against Sambhar indents or what, Mr. Hoyle?

Mr. Hoyle.—We want to reopen indenting at Pachbadra very soon.

President.—Independently of Sambhar.

Mr. Hoyle.—Yes.

President.—What about the credit system? Do you contemplate introducing it here?

Mr. Hoyle.—We allow the credit system up to 5,000 maunds. We fixed a small amount, because the production was small.

President.—What is the idea of fixing the limit at 5,000?

Mr. Hoyle.—The experience at Sambhar have shown that credit indenting went to rather unwieldy limits. I thought it would be a good plan not to allow credit indenting on such a large scale as only a much smaller quantity was available.

President.—That is about 18 to 20 wagons.

Mr. Hoyle.—Yes.

President.—You don't get much credit, Mr. Gulab Chand.

Mr. Gulab Chand.—At first I had no credit and it was only on making a representation to the Commissioner that I got a credit up to 5,000.

President.—Persons like Diwan Chand if given credit would take away all the Pachbadra salt.

Mr. Gulab Chand.—I am a local man and as such I should be given the credit.

President.—If the credit system is allowed, Ramvilas or Diwan Chand would take away all the salt and you would not get anything. All the 12 lakhs of maunds they would take away.

Mr. Gulab Chand.—My prayer is that the Sambhar man should not be allowed to get credit at Pachbadra.

President.—I want to put you a question about Dilyar. Did you do any business in Dilyar salt at any time?

Mr. Gulab Chand.—Yes, when the price of salt was high during the war.

President.—How much did you remove?

Mr. Gulab Chand.—50 wagons.

Mr. Mathias.—Where did you remove to?

Mr. Gulab Chand.—Bhopal and the Central Provinces.

President.—By rail.

Mr. Gulab Chand.—Yes.

President.—Did you take anything from Karachi to Calcutta?

Mr. Gulab Chand.—Yes, about 12,000 maunds. I was the first to market that salt in Calcutta. I purchased from Mr. J. Mehta and as soon as I landed it in Calcutta, all the merchants in Calcutta seeing that the salt had come from Karachi have dropped down their price.

President.—How many years ago was it?

Mr. Gulab Chand.—Last year.

President.—I want to know about the Dilyar salt.

Mr. Gulab Chand.—During this time I did not take any Dilyar salt to Calcutta. I only took a sample and showed it to all the big merchants. They said it was good and that if the supply was guaranteed, they would be able to market it.

President.—You selected the samples and took them.

Mr. Gulab Chand.—Government Superintendent selected and gave them to me.

Mr. Mathias.—Will you be able to market the Dilyar salt?

Mr. Gulab Chand.—If the salt was allowed to be consigned in bond and the duty charged at the destination, I should be able to market it.

President.—Will you buy the Dilyar salt through merchants or from Government direct?

Mr. Gulab Chand.—From the Government direct—from the Sind Commissioner. Like the Kharwals here there the masdurs work. These are the prices and the correspondence contained in the file shows everything. (Showed the file.) As. 5 is the cost of transport from the works to the railway.

President.—Do you bring it on camels?

Mr. Gulab Chand.—Yes. I had an interview with the Commissioner in Sind and this is what he told me. ' If you lifted more than 3 lakhs of maunds all the salt would be given to you. I shall see that credit is given to you and that no charges other than the cost of production are levied '.

President.—The cost of salt is 9 pies, and the establishment charges are As. 2-3. If these charges are removed, could you sell more salt?

Mr. Gulab Chand.—The cost of transport to the railhead is As. 5. If I could get a special concession rate such as they have in the case of Sambhar or Pachbadra, I would be able to market more salt from Dilyar.

President.—It is not within the Jodhpur State.

Mr. Gulab Chand.—But the railway station is on the Jodhpur railway

President.—The British Government is the owner of that property.

Mr. Gulab Chand.—Yes.

Mr. Mathias.—What is the distance from here to Pithoro?

President.—It would be about 200 miles.

Mr. Mathias.—What would be the distance from Pithro to Dora Noro?

Mr. Gulab Chand.—About 15 miles.

President.—The property belongs to the Government though the railway which serves that part of the country belongs to the Jodhpur State. To make this extension, I suppose you must get the permission of the Railway Board.

Mr. Singh.—We shall induce the Railway Board to give us the permission

President.—It is not your territory.

Mr. Singh.—We cannot construct any railway even in our own territory without the sanction of the Railway Board.

President.—It is a very small matter, the distance being only 14 or 15 miles. Whether the Railway Board spends the money or you spend it, it is not going to break anybody's back.

Mr. Singh.—I do not know whether the Durbar would like to spend any money in constructing a railway in a British territory.

President.—It will be a sort of siding.

Mr. Singh.—Yes.

MESSRS. DIWAN CHAND AND COMPANY, DELHI.

Evidence of Mr. L. DIWAN CHAND recorded at Bombay on Tuesday, 17th December, 1929.

President.—Mr. Diwanchand, we have only just received these papers and we cannot possibly study them within half an hour and then examine you. Tomorrow is the last day I am here and it is quite possible we may not be able to cover the whole ground, and it is a pity that you could not appear earlier. We have tried to meet your convenience as far as possible, but even so you have not yet supplied us with the figures as regards rates.

Mr. Diwan Chand.—We have not got those figures yet but we shall supply them as soon as they are received.

President.—You must have figures as regards Sambhar. Why have you not supplied these to us? It is delaying the enquiry. You are an important witness and unless you supply the figures in time we may not be able to use them at all.

Mr. Diwan Chand.—We will supply them as soon as possible.

President.—You are in possession of information which we cannot get anywhere else without spending much more time.

Mr. Diwan Chand.—We have already asked for these from different centres and we hope to be able to supply them within a week.

President.—We will have to adjourn till 10-30 tomorrow and in the meantime if you have any information available here you can let us have it tomorrow.

Mr. Diwan Chand.—Yes, sir.

सत्यमेव जयते

Evidence of Mr. L. DIWAN CHAND continued on Wednesday, 18th December 1929.

President.—You have been interested in the salt business for some years now?

Mr. Diwan Chand.—Yes, for about ten years.

President.—Both in Sambhar salt and in the Salt Range salt?

Mr. Diwan Chand.—Yes.

Dr. Matthai.—Have you any interests outside Sambhar and Khewra?

Mr. Diwan Chand.—No.

Mr. Mathias.—Do you do anything in the Calcutta market?

Mr. Diwan Chand.—I am not working there. But some salt goes from Khewra occasionally.

President.—You are quite familiar with the methods by which Government business is done at Sambhar and in the Salt Range?

Mr. Diwan Chand.—Yes.

President.—I see from the statement you have sent us that you rather think that the way business is done at Sambhar and the Northern India Salt Range is somewhat responsible for the speculation that has been going on there from time to time?

Mr. Diwan Chand.—That is so. When the demand is more than the supply there is speculation.

President.—And you suggest that the Government policy is responsible for it?

Mr. Diwan Chand.—Yes.

President.—There has been a great deal of speculation in Sambhar during the last 15 months?

Mr. Diwan Chand.—Yes. The supply has been less than the demand. Sambhar market is open to speculation like the share market. If the production is 70 lakhs maunds in the year there is speculation to the extent of 2 to 3 crores, and there is forward selling.

President.—You agree, do you not, that salt is a commodity in which speculation should not take place?

Mr. Diwan Chand.—I quite agree.

President.—You say the first reason is that there is sometimes a shortage?

Mr. Diwan Chand.—Yes.

President.—Undoubtedly there is a shortage with reference to a particular time but really speaking there has been no shortage in the sense that the production has not been equal to the actual consumption?

Mr. Diwan Chand.—The position is this: in the area that is supplied by the B. & N.-W. Railway there is a market for 20 to 30 wagons of Sambhar salt and the remainder up to Cawnpore about 70 wagons. If there is a shortage at Sambhar source, the price on the B. & N.-W. Railway section naturally rises high and foreign salt from Calcutta begins to come in.

President.—But why should the price increase in Sambhar?

Mr. Diwan Chand.—There is always a shortage of 15 to 20 lakhs maunds at Sambhar; when there is a rush of indents Government increases the rate.

Dr. Matthai.—Does it come to this that cornering in one section of the market brings the imported salt from Calcutta and cornering in the other section brings in Khewra salt? The freight difficulty from Khewra would not be serious with regard to the Punjab and northern part of the United Provinces where Sambhar salt is sold.

Mr. Diwan Chand.—Khewra salt goes to Gorakhpore and to Nepal. They are taken in big lumps on pack animals: a certain amount also goes to Darbhanga for the orthodox people. 50 to 60 wagons of salt a month goes to the Darbhanga side from Sambhar.

President.—Calcutta salt also goes by the B. & N.-W. Railway?

Mr. Diwan Chand.—Yes.

President.—When the price of Sambhar salt increases foreign salt from Bengal begins to come in?

Mr. Diwan Chand.—Yes. Even if there is a profit of Rs. 5 per wagon they will take Sambhar salt; even up to Rs. 10 they do not mind.

President.—But all this time the profit made by the trade has been Rs. 50 to Rs. 60 per wagon?

Mr. Diwan Chand.—Yes on forward sales Rs. 50 to 55 per wagon of 267½ maunds.

President.—That is roughly 10 tons?

Mr. Diwan Chand.—Yes. The average rate of profit is Rs. 50 per wagon.

President.—That is about 3 annas a maund?

Mr. Diwan Chand.—Yes. Before the heavy indenting began the profit was only Rs. 5 or 6 per wagon.

Mr. Mathias.—People who take Sambhar salt normally are quite prepared to take foreign salt if there is a high price of Sambhar salt?

Mr. Diwan Chand.—That is the case in the section on the B. & N.-W. Railway in Bihar.

Mr. Mathias.—People there sometimes take Sambhar salt and sometimes foreign salt whichever is cheaper?

Mr. Diwan Chand.—Yes.

President.—They can take Pachbadra salt also?

Mr. Diwan Chand.—The quality is almost the same but there is prejudice about colour.

President.—The market does not really insist on the quality but it is the middleman who is interested in selling a particular quality and has sold it for some time who wants that particular quality.

Mr. Diwan Chand.—People also acquire a habit.

President.—But if the trade supplies a particular quality they will take it?

Mr. Diwan Chand.—It will take time to adapt themselves to other qualities. The taste of the salt is more or less different, *e.g.*, red salt is not preferred by some because there is stone whereas in the white salt there is none.

Mr. Mathias.—There is a difference with reference to colour?

Mr. Diwan Chand.—There is some. In Sambhar at present one quality fetches a higher price than the other.

President.—What happens is this. A particular trader is accustomed to a particular kind of salt. Owing to the shortage on account of over-indenting he is not able to get that kind which he is accustomed to sell and therefore he pays a higher price to get that quality of salt.

Mr. Diwan Chand.—That may be true. What happened was that some of the new crop was sold in May, that is after it was removed but before the impurities were washed away by rain during the monsoon. In Karachi the salt is washed at once and is sold out but in Sambhar the salt is stocked and after it is washed by rain it is sold. But this year on account of shortage, Government having no stock, that salt was issued in the month of May.

Mr. Mathias.—As the supply of salt in Sambhar is less, a lot of Calcutta salt is going over the B. & N.-W. Railway?

Mr. Diwan Chand.—Yes, on account of shortage of supply of this salt the whole of the Darbhanga side is being supplied from the Calcutta market, and if it had been possible to supply Sambhar salt the profit would have been Rs. 100 per wagon.

President.—Supposing Government says the amount of salt available at Sambhar is only 70 lakhs and therefore nothing can go to the area on the B. & N.-W. Railway, then what harm is there if foreign salt is sold in that area?

Mr. Diwan Chand.—Why should foreign salt be sold in India? If the freight is reduced to the level of the coal rate then I think salt can be sent to Bengal from Khewra. There is this salt from Dilyar, it can supply 40 to 50 lakhs maunds per year.

President.—This salt was selected from a Government heap?

Mr. Diwan Chand.—No.

President.—When did you bring this salt?

Mr. Diwan Chand.—A representative of my firm was there on the 4th and 5th of this month.

President.—You knew that we were going there.

Mr. Diwan Chand.—Not that. My representative had no knowledge of your programme. He was at Karachi when the Board visited Karachi. Prior to that he had been to Okha. I was in search of some source and I have found Darwari deposits as a suitable source for the supply of fine white salt for the Bengal market.

President.—How much of salt could you get from this place?

Mr. Diwan Chand.—40 to 50 lakhs of maunds can be extracted every year from this source alone. The lake is 4 miles long and 250 yards broad, but salt can be had only in one mile.

President.—Up to what depth can you dig it?

Mr. Diwan Chand.—At present up to 2' (Feet).

President.—Is the salt like this? (sample shown).

Mr. Diwan Chand.—Yes.

Dr. Matthai.—There are three places from where you could get salt of this kind.

Mr. Diwan Chand.—At present they are extracting only from Darwari.

Dr. Matthai.—But the other sources can be exploited.

Mr. Diwan Chand.—I have not seen those places. At present they are extracting only 20,000 maunds.

Dr. Matthai.—How long have they been working it?

Mr. Diwan Chand.—Since many years. I came to know of it only last year. There is the difficulty of transport.

President.—You cannot find finer salt than this anywhere.

Mr. Diwan Chand.—Analysis of this salt varies from 97 to 99·3.

Mr. Mathias.—During the war a large quantity was extracted from it.

Mr. Diwan Chand.—About 4 lakhs maunds of salt were extracted. During the war time when the profit at Sambhar was Rs. 1,100 per wagon, traders used to bring this salt from Darwari. From Dhoro-Noro to Karachi the freight is As. 6-6 per maund and from Pachbadra to Kuchaman Road which is 216 miles, Jodhpur railway are charging 9 pies per maund.

President.—First of all we want to know how much salt would be available there. The transport question becomes secondary.

Mr. Diwan Chand.—40 lakhs of maunds would be available and it is fine salt.

President.—Where will you send it?

Mr. Diwan Chand.—This salt can be supplied to the area served by Bengal North Western Railway *viâ* Sambhar. From Pachbadra to Sambhar the freight is one anna. This salt from Darwari source need not be sent to Karachi. If the freight from Dhoro-Noro to Kuchaman Road (Sambhar) is reduced to one or two annas per maund, it can be carried *viâ* Sambhar to B. & N. W. Railway.

Mr. Mathias.—If you were to ship this salt *viâ* Karachi?

Mr. Diwan Chand.—From Dhoro-Noro to Karachi the freight should be As. 2 per maund and then it can be shipped to Calcutta *viâ* Karachi. This salt can't be sent in bulk.

Mr. Mathias.—If the salt is crushed, can it be sent in gunny bags.

Mr. Diwan Chand.—Yes, like sugar.

President.—If 40 to 50 lakhs can be extracted from this place and if Khewra is able to produce 30 lakhs, the total comes to 70 lakhs. You can supply the whole of the Bihar market.

Mr. Diwan Chand.—Bihar market only wants 20 to 30 lakhs.

Dr. Matthai.—Bihar takes about 150,000 tons a year.

President.—If you get this kind of salt, it is not necessary for Karachi or Okha to manufacture more salt. To which part of India can this salt go?

Mr. Diwan Chand.—This is good for Bihar and certain portions of Bengal.

President.—Let us take the case of Sambhar. You say that the Sambhar market has been a speculative one for 100 years.

Mr. Diwan Chand.—Yes.

President.—And you went there merely to do banking.

Mr. Diwan Chand.—Yes.

President.—How did you come to do business in salt?

Mr. Diwan Chand.—I went there to do banking business and it helped me in this way. Government formerly delivered against indents within a month. We were not expected to pay for six months. Therefore the interest that I made for 5 months was my profit. That paid for all my overhead and everything and on top of that I made a considerable profit.

President.—You are doing very good business.

Mr. Diwan Chand.—It is safe banking business.

Dr. Matthai.—If the Government had not allowed you credit, you would have charged a higher price.

Mr. Diwan Chand.—Yes. Government introduced the credit system, so that the consumer might get a cheaper salt.

President.—It did not happen.

Mr. Diwan Chand.—At Khewra it does happen. In Sambhar before the shortage of stock I have been making a profit of Rs. 2 or Rs. 3. But the present high profits have come about since the last 1½ years. We do not make any money out of it, because we get practically five months' credit. We give credit to our customers and so we make nothing out of it.

President.—Just explain how you indent.

Mr. Diwan Chand.—I don't understand.

President.—You have 50 agents in the mufassil. They tell you that they want so many wagons, but you don't know how much each market would require.

Mr. Diwan Chand.—Formerly we indented against actual orders that we received from our traders, but now there is shortage and there is speculation.

President.—I am telling you that there is no shortage.

Mr. Diwan Chand.—Supposing there are 10,000 bags of sugar in Bombay and the demand is for 9,000 bags, then we can say that there is no shortage.

President.—In August 1928 Government had a stock of 55 lakhs. The new crop had not come in. The total of the stock *plus* the new crop would be 1,15,00,000.

Mr. Diwan Chand.—If before August the stock at Sambhar was 55,00,000 when the new crop was not ready and the output had been 60,00,000 maunds then the total quantity would have been 1,15,00,000. But that was not the case. When the new crop was ready, there was absolutely no stock of the old crop. The fresh crop was not sufficient to meet actual and normal demand of the year so there was a shortage at Sambhar.

President.—Whenever there was a shortage, what would be tl to issuing the new salt?

Mr. Diwan Chand.—No one would eat the new salt if Gove not had a monopoly.

President.—What would be the objection to Government imported salt and selling it in the market when there was any shortage in stock?

Mr. Diwan Chand.—The price of Sambhar salt would then b dear.

President.—Why?

Mr. Diwan Chand.—The overhead charges would be the same w duction would be less. Cawnpore, for example, would not be al Sambhar salt then by paying a freight of about 8 annas per mau

President.—At Sambhar, Government pay a royalty of 2 annas If there was no Sambhar salt at Sambhar, Government would sa per maund in royalty on that quantity.

Mr. Diwan Chand.—When the rates of profit of Sambhar salt Bihar takes foreign salt from Calcutta.

President.—Government can buy foreign salt and sell it in Bih get the salt at 8 annas a maund *ex*-ship at Calcutta and thus sa alty of 2 annas a maund which it now pays at Sambhar.

Mr. Diwan Chand.—I have not studied that question in de think that more salt could be manufactured at Sambhar.

President.—Government of course can, but then there is the shortage.

Mr. Diwan Chand.—That is all right as far as a private indivic cerned, but if the Government wished to change its rules and its would take a much longer time to increase the production of salt a

President.—I want to know what is the expense that is incu you want to sell it in the bazar. Four annas three pies is the pr and six pies is the weighing charge. That is the price of salt load wagon.

Mr. Diwan Chand.—Yes.

President.—Then there is bagging. What is the price of a ba

Mr. Diwan Chand.—Six to eight annas.

President.—How much does a bag hold?

Mr. Diwan Chand.—2½ maunds.

President.—That comes to about 3 annas per maund.

Mr. Diwan Chand.—Yes.

President.—As you can use it twice it will come to 1½ annas.

Mr. Diwan Chand.—Yes.

President.—What else is there?

Mr. Diwan Chand.—Nothing.

President.—I want to know, if you are to take the salt to Delhi, it will come to? Here it comes to 6 annas 3 pies per maund.

Mr. Diwan Chand.—I do not know what the freight to Delhi is

President.—The freight is 5 annas 7 pies. What would be the maund?

Mr. Diwan Chand.—3 annas per maund.

President.—What would be the unloading charges?

Mr. Diwan Chand.—Unloading and cartage would be about 9 pi there is the godown rent and agents' commission. The godown re about 2 annas a maund.

President.—What would be the agents' commission?

Mr. Diwan Chand.—I sell it at Sambhar.

President.—Whoever sells it at Delhi will have to get a commission.

Mr. Diwan Chand.—The dealers profit and interest would be about 2 annas 5 pies per maund.

President.—The total comes to Rs. 1-2-0, and the duty is Rs. 1-4-0. Thus, it is Rs. 2-6-0 in all.

Mr. Diwan Chand.—Yes, but the price in Delhi varies according to quality.

President.—The average rate supplied to us in Delhi is Rs. 2-4-0.

Mr. Diwan Chand.—Yes. Of course the selling rates differ according to the qualities; sometimes the profit is less but the average rate comes to Rs. 2-4-0 that is the wholesale rate. The retail rate would be between 16 and 19 seers for a rupee. That is about one anna per seer.

President.—But he does not give one seer of salt for one anna; he must sell it for something less.

Mr. Diwan Chand.—Though he does not make much profit from the salt he makes it up from different commodities he sells along with it such as gram, wheat and so on. In that 2 annas 5 pies I have given I have included overhead charges. When a man sells salt along with other commodities he has not to bear any overhead specially for salt.

President.—I want three years' rates of retail and wholesale prices of Sambhar salt and Khewra salt in about 15 different markets.

Mr. Diwan Chand.—I will send them to you.

President.—What is the present wholesale price?

Mr. Diwan Chand.—Seventeen to 18 seers per rupee, that is about Rs. 2-4-0 to Rs. 2-6-0 per maund.

President.—Last year how much did you get?

Mr. Diwan Chand.—I don't remember but I will let you know.

President.—I want to know how much total business you have done in salt both in Khewra and in Sambhar.

Mr. Diwan Chand.—I will give you an idea.

President.—What are you doing about reducing the speculation?

Mr. Diwan Chand.—Speculation can be checked if in addition to the manufacture by Government salt is manufactured by private individuals under the Pan system and the output thus increased.

President.—How much?

Mr. Diwan Chand.—By at least 10 lakhs of maunds. Government should keep at least a stock of 20 lakhs maunds.

President.—Against the present 10 lakhs?

Mr. Diwan Chand.—I don't know what stocks they kept before.

President.—But if there is not much water?

Mr. Diwan Chand.—Water can be had in wells if you dig only 10 feet. Until more salt is produced in Sambhar there will be speculation. The increase in the output should be at least 10 lakhs maunds and Government must have a reserve of 20 lakhs maunds if speculation is to stop.

President.—What stock do they generally keep?

Mr. Diwan Chand.—I have never seen any stock in Sambhar.

President.—Do you suggest that there should always be a reserve stock of 20 lakhs maunds?

Mr. Diwan Chand.—When in October they issue the new crop they should have a reserve of 20 lakhs. They must increase the production to 80 lakhs maunds.

Dr. Matthai.—Can they?

Mr. Diwan Chand.—Yes.

Dr. Matthai.—They say they cannot produce more than 70 lakhs.

Mr. Diwan Chand.—I can guarantee 10 lakhs maunds more.

Dr. Matthai.—You mean by having extra pans?

Mr. Diwan Chand. Yes.

President.—Now, take Pachbadra salt. Isn't that better than Sambhar salt?

Mr. Diwan Chand.—Yes.

President.—Is it not possible to increase the production at Pachbadra?

Mr. Diwan Chand.—I do not know.

President.—Suppose you get 20 lakhs from Pachbadra?

Mr. Diwan Chand.—Yes. The price of Pachbadra and Sambhar salt at the selling centres is the same.

President.—In that way the shortage could be remedied and it is better salt and therefore it will sell better.

Mr. Diwan Chand.—Yes. But you must find additional sources. Take Bharatpur for instance. Salt can be manufactured there. Government can issue licences to other people for manufacture of salt there.

Dr. Matthai.—Why is all this suggestion about additional sources? Where will you sell it?

Mr. Diwan Chand.—If Bharatpur manufactures salt it will cost people at Cawnpore and places near Bharatpur cheaper.

Dr. Matthai.—That will cut out Sambhar?

Mr. Diwan Chand.—Reduce the production at Sambhar and save the freight by having salt produced in nearer localities. From Sambhar to Agra, Bharatpur and other places the railway freight would come to 8 annas; if you produce at Bharatpur you save the freight. Government centralised production at Sambhar because the idea was to use power and produce on a big scale and thus reduce the cost. But they have failed to reduce the cost. On the other hand freight costs more. My idea is that Government pays something to Bharatpur for not producing salt. If I have a licence for producing salt at Bharatpur I will pay them less royalty and at the same time the railway freight will be less. There are many sources where salt can be produced.

President.—Is it your opinion that the production of salt in Khewra can be increased?

Mr. Diwan Chand.—Yes.

President.—Where will it go?

Mr. Diwan Chand.—If the railway freight is reduced it will go to Bihar; more will also go to the United Provinces.

President.—But they want crushed salt in Bihar.

Mr. Diwan Chand.—You can have crushed salt in Khewra. I have put forward a scheme by which if you have a platform where you can sort out, you can supply to those markets which want uncrushed salt salt of that quality and instal a crushing machine to supply those markets which require crushed salt. If the railway freight from Khewra to Howrah is reduced to less than 8 annas a maund, then Khewra crushed salt can be supplied to Calcutta market where there is demand for it.

President.—Does it not look red when crushed?

Mr. Diwan Chand.—You have to select and sort them out and take the whiter blocks and crush them.

Mr. Mathias.—Have you seen any Khewra crushed salt?

Mr. Diwan Chand.—Yes. I live near Khewra and we use white crushed Khewra salt.

President.—Why do people ask for uncrushed salt?

Mr. Diwan Chand.—Rock salt is generally sold in hill districts where it is convenient to carry big blocks of salt on pack animals. Then again orthodox Hindus keep lumps of this salt for cattle. Even in Bombay they do it.

Mr. Mathias.—Will the pinkish salt be consumed by people?

Mr. Diwan Chand.—Yes, people in the Punjab do take it.

Mr. Mathias.—I want to know whether the people in Bengal will take it.

Mr. Diwan Chand.—Yes of course, but a little propaganda will be required. It should be produced by private agency. Traders have to face many difficulties if Government has got a monopoly of salt. If licenses are issued to private manufacturers, traders would have more convenience in getting salt than when the salt manufacture is controlled by Government. Government should only collect the duty and leave the manufacture of salt to private persons as is done in Bombay and Madras.

Mr. Mathias.—Bombay salt is dirty.

Mr. Diwan Chand.—In my opinion there should be a clause in all licenses that the private manufacturer should manufacture salt of a particular colour and of a particular quality and there should be a Government Inspector to supervise it.

President.—Take Bengal.

Mr. Diwan Chand.—I shall first of all take Khewra. Khewra salt is a good quality salt and is saleable.

President.—There is a proposal to form a marketing organisation for the supply of salt to the Bengal market. Whatever is needed by Bengal will first of all be purchased in India and the balance will be bought from outside.

Mr. Diwan Chand.—Salt in larger quantities can be produced in India and then foreign salt will not be imported.

President.—There is this question. The price of local salt is such that it will not be sold in competition with the foreign salt.

Mr. Diwan Chand.—It is practicable.

President.—In that scheme the quality could be safeguarded.

Mr. Diwan Chand.—Yes.

President.—It can sell salt on a very small commission.

Mr. Diwan Chand.—That can be done. If one single agency was created to provide for all the salt required in the Bengal market, it would first buy all the Indian salt that would be suitable for that market and then import the balance. The imports would cease when India produced all the salt required for that market. The salt can then be sold at a price fixed by the Government and sales could be effected on a small commission.

President.—Do you want that organisation to be under Government or under Company management?

Mr. Diwan Chand.—It is not a difficult task. A private Company could run it. I can run the marketing Board.

Dr. Matthai.—Supposing this company was a combine of Indian manufacturers of salt, how would you like it?

Mr. Diwan Chand.—Where are they going to get capital for marketing? The Karachi market requires Rs. 50 lakhs for manufacturing purposes, so they cannot afford to spend any capital on the marketing Board. I think you would require one lakh of rupees as working capital for one lakh of maunds.

Dr. Matthai.—Supposing each manufacturer is making his own salt and there is an association of manufacturers to do the marketing, and if they have got a monopoly of this salt in Bengal they ought not to find it difficult to raise its capital.

Mr. Diwan Chand.—Where are they going to get the money from?

Dr. Matthai.—It is a good proposition. The market is guaranteed to them.

Mr. Diwan Chand.—They require first of all capital for manufacturing salt. It is very difficult to get capital in India unless the industry is established.

Dr. Matthai.—Supposing you had a different kind of company, a company of traders, how would they find the capital?

Mr. Diwan Chand.—That is a different matter. If you put the whole thing in the hands of manufacturers, they would combine and spoil the quality of salt.

Dr. Matthai.—Which is the possibility you like best; either we have a monopoly of manufacturers or we have a monopoly of importers or we have a monopoly which is administered by Government? Which of the three do you like best?

Mr. Diwan Chand.—Salt manufacture in India should be kept separate from the sales. These manufacturers ought to be able to sell f.o.b. or *ex*-ship and the marketing must be left to others.

Dr. Matthai.—What is your objection?

Mr. Diwan Chand.—For the same reason that I gave before. They might combine and spoil the quality. Besides they will find it difficult to raise capital both for manufacture and for marketing. If a syndicate is formed, it would be better. 10 persons might combine and form a public company. It is sure to raise capital.

President.—How?

Mr. Diwan Chand.—It is very difficult to get money from the whole of India, but you can get money from 10 persons.

President.—Then it will become a monopoly.

Mr. Diwan Chand.—It is not a monopoly, because there are conditions in it. The price is fixed. I would prefer a small Syndicate consisting of five or 10 capitalists raising all the money required under Government control. Even two persons can invest the capital required.

President.—How much capital can you put in?

Mr. Diwan Chand.—It depends on the business that you are going to give me.

President.—Being a big firm, how much are you prepared to invest?

Mr. Diwan Chand.—I am prepared to guarantee a capital of Rs. 50 lakhs within two months of the announcement that a syndicate would be formed.

Dr. Matthai.—What is your idea of the amount of capital that would be required for a syndicate?

Mr. Diwan Chand.—I have not studied that fully.

Dr. Matthai.—Could you give us a rough idea?

Mr. Diwan Chand.—About Rs. 50 lakhs would be sufficient. My first suggestion is that first of all Khewra must be tapped because no great capital will be required.

Dr. Matthai.—Then the freight will have to be reduced?

Mr. Diwan Chand.—Yes. We should first take Dilyar salt and then Khewra. I prefer Dilyar, because the chances of freight being reduced are greater. The distance is short and it is a matter of negotiation with the railways.

President.—Between 40 to 50 lakhs in Dilyar, you think would be available.

Mr. Diwan Chand.—Yes. What is more, there is no capital expenditure required except on the siding.

Dr. Matthai.—Supposing Khewra is developed, Khewra can produce 100,000 tons for the Bengal market. Then, you say that this place (Dilyar) can produce about 50 lakhs.

Mr. Diwan Chand.—40 lakhs.

Dr. Matthai.—That is roughly about 150,000 tons. In that case, you have got 250,000 tons right away and Aden produces about 250,000 tons. That practically supplies the whole of the Bengal market. So, Okha and Karachi can be left out.

Mr. Diwan Chand.—In the case of Khewra, there is the question of railway freight.

Dr. Matthai.—Supposing the freight is reduced and you put Khewra salt in the Bengal market, Khewra can straightaway supply 100,000 tons and practically the Indian production comes from these two sources.

Mr. Diwan Chand.—In the case of Khewra, the railway freight is now about Rs. 2. If it is reduced to 8 annas per maund, then the Khewra salt can be marketed in the Calcutta market.

President.—What is the price to be paid to each manufacturer?

Mr. Diwan Chand.—How can I say?

President.—The Okha and Karachi people say " Shut out Aden ".

Mr. Diwan Chand.—Everybody must be given a chance.

President.—How is it to be given?

Mr. Diwan Chand.—I am not in the manufacturing field.

President.—Suppose there is a syndicate and you form the syndicate: How will you buy?

Mr. Diwan Chand.—I have not studied that question.

President.—It is not a question of profit. The Okha people say ' We will supply all ', and the Karachi people say ' We will supply all '. There is this fight. How will you decide the question?

Mr. Diwan Chand.—At the moment it is all a question of estimate.

President.—If the estimates become a fact, what should be done?

Mr. Diwan Chand.—The price will have to be fixed.

President.—Who will fix it?

Mr. Diwan Chand.—The quota should be fixed according to the present output.

President.—Or tenders might be invited.

Mr. Diwan Chand.—If all the orders were given to Okha, Karachi and Aden, what would happen to the capital put in in the other works in India?

President.—It is for them to consider. Before any new factories are opened, they must see whether there will be over-production or not.

Mr. Diwan Chand.—We should take the present output of the different sources and fix the quota on that basis. At present there is no over-production.

President.—Okha has just begun to produce.

Mr. Diwan Chand.—What does Okha say?

President.—They say that they will be able to produce 100,000 tons. The Karachi people also say that they will be able to produce 100,000 tons. Aden is already manufacturing about 40 lakhs maunds.

Mr. Diwan Chand.—They may talk of manufacturing, but they may not be able to produce it.

President.—What do you say? There is no difficulty in forming a combine, but the difficulty will be about the market.

Mr. Diwan Chand.—Somebody will have to fix the quota.

President.—Who will fix it?

Mr. Diwan Chand.—The Tariff Board will do it. At present, Aden is supplying how much?

President.—About 230,000 tons.

Mr. Diwan Chand.—Aden should be given only the second chance. The first chance should be given to India. I mean that the purchases should be made in India first. Aden could be given only 30 lakhs of maunds at the most. After all, India is India and Aden is Aden. Aden is outside India when all is said and done. Why should India give to Aden more than 30 lakhs? Then, there is a balance of one crore.

Dr. Matthai.—If India is India and Aden is Aden, why should Aden have anything at all?

Mr. Diwan Chand.—Because Indian firms are working there.

Dr. Matthai.—In that case, you want the Italian works at Aden to be closed down and only the Indian works to be left. Is that your suggestion?

Mr. Diwan Chand.—The Indian firms should be given the chance.

Dr. Matthai.—That would give you 120,000 tons.

Mr. Diwan Chand.—Primarily the Indian labour must be given the preference.

President.—There is not much labour in this industry.

Mr. Diwan Chand.—India must be able to make provision for its labour first before Aden.

President.—What profit do you think that the syndicate should get?

Mr. Diwan Chand.—5 per cent. in addition to overhead charges, interest, etc.

President.—By overhead charges you mean office charges.

Mr. Diwan Chand.—Yes, establishment charges. Then, there is interest.

President.—What interest would you allow?

Mr. Diwan Chand.—One per cent. above the Bank rate. The syndicate should be allowed all the incidental charges *plus* 5 per cent. profit.

President.—Not 5 per cent. on the duty.

Mr. Diwan Chand.—In Sambhar Government charges duty first, but in Calcutta it is charged afterwards.

President.—The profit should not be calculated on the price including the duty.

Mr. Diwan Chand.—I agree.

President.—Supposing the price is Rs. 60 ex-golah for 100 maunds and your profit is Rs. 5, do you think that on that condition all the capital will be forthcoming?

Mr. Diwan Chand.—I guarantee up to Rs. 50 lakhs to work on this basis.

President.—You will sell at the price fixed by Government.

Mr. Diwan Chand.—Yes.

President.—The syndicate has to guarantee the quality in the first instance. It has to arrange with the manufacturers about the quality.

Mr. Diwan Chand.—Yes. The syndicate will only get the commission. It will arrange to supply the quality fixed by the Board. The quality must be prescribed by a specification and the syndicate will see to it that the salt supplied is according to the quality prescribed. The profit should be 5 per cent. on the outturn excluding the duty.

President.—You mean *minus* the duty.

Mr. Diwan Chand.—Yes.

President.—It means that the profit is 12 per cent. The Imperial Bank rate is 5 per cent.

Mr. Diwan Chand.—6¾ per cent.

President.—What work will you do for that commission?

Mr. Diwan Chand.—It will purchase and sell and maintain the quality.

President.—Will you not require brokers?

Mr. Diwan Chand.—No. I have the monopoly. The rates are fixed by Government. Consequently there is no need for any broker. Of course speculation will take place when the supply is short of the demand and no one can check that speculation. But if the supply is equal to the demand, there is no fear of speculation.

President.—Five per cent. is never given to the importers as commission but only 2 per cent.

Mr. Diwan Chand.—In other business I am earning 25 per cent. Government will not be able to raise capital from the public. Only a few selected businessmen will be able to supply this capital.

President.—How will you sell it in the bazar?

Mr. Diwan Chand.—The traders will tell us what their demand is and we will supply them. Obviously the traders will send us the orders. We will sell salt direct to the wholesale dealers according to their requirements.

President.—Government selling rates must be fixed for all times.

Mr. Diwan Chand.—Yes.

President.—Government has to fix the rate for all times. Take Rs. 75 per 100 maunds for uncrushed salt. That must be the fixed price. You can get salt at Rs. 65 from outside but it will actually sell at Rs. 75 and that balance of Rs. 10 should be kept as a reserve. You know of dividend equalisation funds. It will be something like that. You can't raise the prices frequently. For five or ten years the prices must remain steady. During the transitional stage retail prices would go up and they won't come down.

Mr. Diwan Chand.—Supposing you buy salt from Karachi at Rs. 40 and the freight, etc., is, say, Rs. 30, that is Rs. 70 with overhead charges and so on; then you mean the balance Rs. 5 will go into a sort of reserve fund?

President.—That is the idea. If it goes up to Rs. 80 it will still sell at Rs. 75 and the balance will be met from that reserve fund. Do you agree to a scheme of this kind?

Mr. Diwan Chand.—I will have to think about it. It seems to me that this is a good idea.

President.—Of course it will take time to form a syndicate and start work.

Mr. Diwan Chand.—We can begin work in two or at the most three months.

President.—Will you think over the matter and send us a scheme for the formation of a syndicate?

Mr. Diwan Chand.—I have submitted a proposal for Khewra salt. At present the salt is carried in tipping wagons and then loaded into wagons. The result is that traders get mixed quality of salt which they do not like. My proposal is that there should be a separate platform where a man who wants crushed salt will have that if a crushing mill is put up, and a man who wants salt in blocks will have that quality and Government can fix rates according to the quality of salt taken. A syndicate in Khewra should operate in this way, namely that it would buy all salts of different qualities at a price which these different qualities will fetch in the market and the average price they will get will be sufficient to cover 5 per cent. profit over the price. The smaller pieces can be crushed and put in bags weighing 10 lbs. Some propaganda will have to be done to make it popular. The commission must be calculated on the price including duty.

President.—Why?

Mr. Diwan Chand.—Because we have got to pay the duty in advance.

President.—But they have introduced credit system at Khewra?

Mr. Diwan Chand.—Yes, but my capital is locked up.

President.—They don't take payment for six months, do they?

Mr. Diwan Chand.—That is so, but we have to deposit Government securities and the difficulty is that these securities are getting depreciated: 3½ per cent. bonds have depreciated 16 per cent. after five years since this 5 per cent. loan has been issued because people think it very good.

Mr. Mathias.—The point is when it appreciates the profit must come to risk.

Mr. Diwan Chand.—But businessmen will think twice before they take the risk.

President.—Why do you want two syndicates?

Mr. Diwan Chand.—If you want one syndicate you can have that. In the case of Northern India salt the commission should be on the price with duty.

President.—Government will allow you credit.

Mr. Diwan Chand.—If the price is 4 annas a maund the capital required would be Rs. 50 lakhs because of the duty to be paid to Government.

President.—Suppose Government does not take the duty at Khewra.

Mr. Diwan Chand.—The price at Khewra is Rs. 30 while in Calcutta the price is Rs. 80, so what is 5 per cent. in Calcutta is 10 per cent. in Khewra. By trying to safeguard its duty Government has put up the works at Sambhar but this has increased the price of salt to the consumer owing to the freight. I am also of the opinion that all salt works in Northern India should be handed over to private firms both at Khewra and at Sambhar because if you do that, the working costs would be less. I can give you an example of how this has been done. Government has a resin factory at Jalaon which is worked jointly by the Forest Department and Sir Daya Kishan Kaul and Government has come to an arrangement by which the working capital should be invested by Sir Daya Kishan Kaul and the other capital by Government and the shares will be half and half. Four or five years ago the Punjab Government wanted to give me the whole of the forests in the Punjab. The arrangement suggested was that they would bring all the timber from the north and deposit in one place jointly with us and the profit would be divided half and half between Government and ourselves. This could be done in the case of salt also. In any case I would impress on the Board that so long as manufacture is not handed over to private manufactureers the hardships caused to the traders will remain. The rules framed by Government cause us great hardship.

President.—How?

Mr. Diwan Chand.—I apply to Government to allow me so much credit. Government allows that. I send securities worth Rs. 20 lakhs for deposit, against which credit orders are issued and pass books issued. But when I want to indent they say " we won't accept any indent " although the security is with Government. They say " we are making new rules, give us an indent when the new rules are framed ". Now they have framed new rules and say the credit orders will be dealt with on the basis of the new rules. I requested them to refer the matter to arbitration but they will not do so.

President.—Which rule is that?

Mr. Diwan Chand.—Rule IX. In the meanwhile the securities have depreciated and all this Rs. 20 lakhs is locked up since a year. It is true that I get interest on the securities but I make no profit on that money.

President.—Government do not accept your indents but they are prepared to give you back the security?

Mr. Diwan Chand.—Why should I take it back? I have already lost money on it because of depreciation. I want salt. I would have made profit on it if I had invested it elsewhere.

President.—Your suggestion is that owing to this sort of thing Government should not do this business at all?

Mr. Diwan Chand.—If Government does not want to do business on business lines, why does it do any business?

President.—What would you do supposing there were shortage even on business lines?

Mr. Diwan Chand.—Shortage would not have occurred if it had been under private management.

THE CENTRAL BOARD OF REVENUE.

Evidence of Mr. A. R. L. TOTTENHAM, C.I.E., I.C.S., and Mr. A. H. LLOYD, C.I.E., I.C.S., recorded at Calcutta on Monday, the 20th January, 1930.

President.—Since the Central Board of Revenue has been constituted the whole of the Government salt administration, I take it, is under the control of the Government of India?

Mr. Tottenham.—Yes.

President.—The provincial salt administration work under the Central Board of Revenue, do they?

Mr. Lloyd.—Yes.

President.—The Central Board of Revenue, I take it, is a sort of controlling authority on behalf of the Government in salt administration?

Mr. Lloyd.—Technically speaking one should say that the Central Board of Revenue has two different entities in that respect. As regards Bombay, Madras and Burma, I think we have statutory authority; as regards the Northern India Salt Revenue department and Sind, where by the way it is still worked by the Local Government, the Central Board of Revenue has no statutory authority and the work we do is really work as a branch of the Finance Department of the Government of India.

Dr. Matthai.—Where local Government agencies work in respect of salt administration are they responsible to you?

Mr. Lloyd.—To the Government of India.

Dr. Matthai.—If you take Sind for example, the Commissioner of Sind is the officer in charge of salt there and to the extent he is responsible for the salt administration, he is responsible to you, is he not?

Mr. Lloyd.—Technically speaking he is responsible to the Government of Bombay.

President.—Why have you these two different entities?

Mr. Lloyd.—We wanted to centralise the administration of salt everywhere and we have done it only recently. We did it by stages: the last stage of centralisation of the salt administration in Sind has not yet been reached because the department there is administered by a combined salt and excise department still.

President.—I suppose Sind would be too small a unit.

Mr. Lloyd.—That was the idea. It would be too small; that is what the Government of Bombay represented.

Mr. Tottenham.—They did not like the idea of combining the salt departments of Bombay and Sind.

Mr. Mathias.—Is the Salt Collector of Bombay responsible to you or to the Government of Bombay.

Mr. Lloyd.—The Presidency of Bombay, excluding Sind, is under a Collector who is directly responsible to the Central Board of Revenue.

President.—What remain outside are Aden and Sind?

Mr. Lloyd.—Yes. We have nothing to do with Aden.

Mr. Mathias.—You have no power as regards Aden in the way of maintaining the quality?

Mr. Lloyd.—We have no concern at all with Aden. We don't even know whether there is a salt administration there.

President.—Then as regards the general policy of the Government are you responsible for initiating it or are you merely carrying out the policy of the Government of India?

Mr. Tottenham.—We also make suggestions.

President.—For example, if some principle is required to be considered you will consider it and then submit it to the Government of India?

Mr. Tottenham.—The idea may occur to the Finance Member, and he may refer to us, or the idea may occur to us, and we may submit it to him.

President.—The normal practice is for you to initiate the policy and discuss it with the Government of India and then the Government of India lays down the policy and you carry it out. That is how it is worked, is it not?

Mr. Lloyd.—Yes.

Dr. Matthai.—Aden on the Civil side is supposed to be under the Government of Bombay and any questions arising out of the administration of salt would, I suppose, be entirely disposed of by the Government of Bombay, that is to say the Resident in Aden who is the Administrative Officer there is responsible to the Government of Bombay and therefore salt being a part of the civil administration the Government of Bombay would be consulted, would it not?

Mr. Lloyd.—The Government of Bombay would really be concerned with it I think. The point is if the Government of Bombay are working as agents in this matter it is dealt with by the Government of Bombay in a department which is not really our department. The reason why we have nothing to do with it is simply this, that no revenue is collected at Aden for the Government of India on salt produced there. After all we as the Central Board of Revenue are primarily concerned with the collection of salt tax.

Dr. Matthai.—You are concerned with the customs revenue. The revenue paid on Aden salt is customs revenue and to that extent therefore you are concerned with Aden.

Mr. Lloyd.—No more than we are concerned with Port Said or Liverpool or Hamburg production on which also we collect customs revenue.

Dr. Matthai.—The difference is that so far as Port Said is concerned it is not under the jurisdiction of any Government agency in India and that makes a difference.

Mr. Lloyd.—It makes no difference.

President.—As regards manufacture generally I take it that you are also in charge of the manufacturing department?

Mr. Lloyd.—Yes. The same establishments work production and prevention. We are in charge of the whole concern.

President.—I don't want to go into the whole history about Government starting manufacture of salt and so on, but I take it that the main principle underlying Government policy as regards manufacture is that it wants to control prices. Is that the idea?

Mr. Lloyd.—My own personal idea is that so far as Northern India, where our principal sources of salt are, is concerned the reason why Government administers these sources is that Government wanted to keep manufacture at one single source in single hands.

Mr. Mathias.—Is it to prevent illicit manufacture?

Mr. Lloyd.—I think that was the idea at the start.

Mr. Tottenham.—There were political reasons for Government's taking over salt works from the Indian States.

Mr. Mathias.—It was largely to prevent manufacture and smuggling from the Indian States and thereby depriving Government of the duty?

Mr. Lloyd.—I don't think that would be a reason for Government undertaking manufacture of salt at all. It may be a reason why Government should control it at different sources. I don't think production is necessarily an element of prevention.

Mr. Mathias.—It might be historically.

Mr. Lloyd.—You would have to go rather far back into the history of the industry.

President.—Since they acquired Sambhar Government have been manufacturing salt there departmentally; at Khewra also manufacture has been going on since the annexation of the Punjab.

Mr. Tottenham.—Since Moghul times it has always been Government property.

President.—Government should go on manufacturing salt?

Mr. Tottenham.—I should have thought there were very strong reasons.

Mr. Lloyd.—I think there would be considerable political difficulties about manufacture of salt at Sambhar by private enterprise because it is the property of Indian States.

President.—You can lease it out to private manufacturers; what is the objection there?

Mr. Lloyd.—We don't know whether we can.

President.—The whole point is this. Supposing we recommended that it would be better if Government did not undertake manufacture of salt, do you think there are any inherent difficulties in the suggestion?

Mr. Lloyd.—I think there will be political questions involved in it, but we can only try.

Mr. Tottenham.—One point really about Northern India is that you have a single huge source of manufacture which supplies very large areas.

President.—A single unit will lend itself much better to private enterprise.

Mr. Lloyd.—But that might lead to profiteering.

President.—Whether eventually it could not be handed over to private enterprise that is what I want to understand. One of the points we are considering is the desirability of having a unified marketing organisation and the time may come when marketing and manufacturing may be combined under one single agency. If that leads to economy by which the public benefits it might be a good way of doing that, but before we can consider this question we should like to know whether there are any special reasons why Government should continue to manufacture. On general grounds you will admit that Government is not the usual agency for carrying on manufacture.

Mr. Lloyd.—So far as the Central Board of Revenue is concerned, you have already been informed that it has been our idea since we took over any responsibility, to encourage private enterprise rather than to develop the Government works, as is best illustrated by the case of Maurypur. That is our own view, so to speak, "other things being equal". There are already existing salt works under such conditions side by side with ours. But as to what should be done in a case where a single unit must be in single hands as in the case of the Khewra mines, whether Khewra mines should be handed over to private enterprise, or not, I am unable to answer that question because we have never considered that.

President.—I wish you to consider it later on.

Mr. Mathias.—Would there be any inherent difficulties such as the question of the expense of the preventive staff and so on? If you had a system of private enterprise I take it you will have to employ the preventive staff and the private manufacturer will have his own manufacturing staff.

Mr. Lloyd.—We have never examined the question but I should say myself that probably there is some slight economy from combining prevention and production. On the other hand it is quite clear that a good deal

of the preventive staff would have to be employed on the same scale whether the works were private or Government works, and that a good deal of the production staff is solely engaged in production.

President.—We are not contemplating any increase in the units of production and therefore your preventive staff might suffice or you will require even less because there would be concentration of manufacture. What we are considering is this. Supposing we eventually decided that the best way of stabilising prices is to have a marketing organisation, with Bengal to start with, then if we had the manufacture in this part of India, it would be anomalous if Government had two different sources at Sambhar and at Khewra which would compete in the same market with the salt that we put in Bengal. For that reason it may be necessary eventually to hand over the marketing to the marketing organisation. If we decided that Government was the best marketing organisation the question will not arise. But supposing we decided that there ought to be a marketing organisation which will first start with Bengal then it will have to take over the marketing of Government salt. When we have got to that stage you may hand over manufacture also to this organisation or to some other private agency, so that excluding the Bombay and Madras Presidency you have practically the whole field where this single organisation may operate. That is the eventual result that we are considering. It is only in such an event that this question will arise.

Mr. Tottenham.—I am not prepared to go so far as handing over manufacture at Sambhar and Khewra to private enterprise.

President.—We are going to consider how far Government itself can manufacture, but subject to that this point may arise, and if you were in a position to advise us it would have been better. But in any case perhaps you will think over it and let us know because if there are political difficulties we don't want to raise this question.

Mr. Tottenham.—I rather doubt if we can express any opinion on it.

President.—Of course you can't express any opinion on behalf of Government but how does it strike you?

Mr. Lloyd.—It is an idea which has a certain amount of attraction for me. I would make it perfectly clear that our concern with the salt department is a revenue concern only and one might say that the salt department might be divided into two halves, one for production and the other for prevention and collection of the duty.

President.—It is the same sort of thing that I was just now suggesting to you, that is to say the revenue collection department should be separated from the production and the marketing department.

Mr. Lloyd.—I don't say it should, but I say it has its attractions.

President.—How far that may be possible we are not yet prepared to say We have not really formed any opinion. We are trying to explore the subject.

Mr. Lloyd.—Quite so.

Mr. Tottenham.—You said something just now relating to Northern India about concentrating manufacture. Is it your idea that any of the existing sources should be abandoned?

President.—I don't mean that. If there are any small works, it might be better for the Government not to work them.

Mr. Tottenham.—Do you mean that they should be abandoned altogether or they should be given over to private enterprise? In fact we have given over a small source in the Punjab near Sultanpur to private enterprise.

President.—If we were to put forward a scheme like that what would happen would be this: we don't contemplate that Sambhar should be given to one manufacturer and Khewra to another and Karachi to somebody else We mean one big central organisation.

Mr. Lloyd.—A scheme of rationalisation.

President.—Yes. That organisation will consider where it can produce the salt. It will maintain such sources as it finds economic from its point of view. It will close down others. That is the idea.

Mr. Tottenham.—Would it be a private organisation or a semi-public organisation?

President.—What we are thinking at present is a sort of public utility concern under the control of Government.

Mr. Tottenham.—There would not be the same objection to that as to a private enterprise.

President.—It would be under the control of the Government.

Mr. Tottenham.—Quite so.

President.—In various ways as regards prices, as regards profits as regards quality, and as regards various other things, but all the internal management would be in its hands. There would be no profiteering and no deterioration of quality. Those are the two things and if there is any risk of loss, that is passed over to that organisation. As regards profits they would be limited.

Mr. Lloyd.—That of course I had in mind when I spoke about guarantees.

President.—Unless there are these guarantees we cannot contemplate handing it over to a marketing organisation.

Mr. Lloyd.—If I may turn for a moment to the questionnaire your view would be, pending any decision on such a scheme as you have outlined, it is desirable to retain the control of as many sources under the Government as are accessible. Our having given Sultanpur to private enterprise recently is rather unfortunate from that point of view.

President.—It is for that reason I told your man in Karachi that Government were not to do anything as regards licenses and so on. It was because we are considering that point and we don't want to add complications.

Mr. Lloyd.—There are sufficient complications already at Karachi.

President.—And I thought it was time for us to let you know that this is what we are doing.

Mr. Lloyd.—Quite.

President.—We shall deal with the marketing organisation in a little more detail when we cover the other issues. The price policy of Government so far as I can understand it is not to make a profit. Is that right?

Mr. Tottenham.—Yes or a loss.

President.—You can look at it in two ways. Up to now the policy of the Government, as far as I can see, is to fix its price for each works and to see whether it was making a profit or loss, is not that right?

Mr. Lloyd.—Up till lately; but lately certain works have been grouped together for the purpose.

Dr. Matthai.—In the Punjab the works have been grouped together.

Mr. Lloyd.—Yes.

Mr. Mathias.—I understand the reason why you want to avoid profit is that it will be an indirect increase to the excise.

Mr. Tottenham.—Yes.

Mr. Mathias.—And therefore it would be a means of defeating possibly the vote of the Assembly.

Mr. Lloyd.—The policy was decided long before the Assembly existed.

Mr. Mathias.—It would be direct increase to taxation for which there is no authority.

Mr. Lloyd.—An increase in taxation that would be unfair. However, I do not know what the original idea was.

President.—We don't want to embarrass the Government from any political point of view. I just want to know what precisely Government has committed itself to as regards this profit. If it means on the whole of the Government salt undertakings it does not make a profit, that we can understand. Does it also mean that in any particular area it should make no profit?

Mr. Lloyd.—No.

President.—That is rather important.

Mr. Lloyd.—The Government of India have not committed themselves. They can group sources together.

President.—It has been put rather loosely. I just want to get a precise idea.

Mr. Lloyd.—I don't think Government are in any way committed to leaving each source to stand by itself.

President.—It is open to the Government therefore to put it down as a general principle that on the whole of its salt undertakings it shall not make a profit.

Mr. Lloyd.—That is the position now. All the important Government undertakings are within the big group.

Dr. Matthai.—That means the whole of the Northern India Sources.

Mr. Lloyd.—Yes, and I think it includes Kharaghoda.

President.—Recently I think you have included Kharaghoda in that group.

Mr. Lloyd.—Yes.

Dr. Matthai.—May I just ask you a question on that point? I expect that the principle on which that grouping was done was that you don't incur any loss on the Northern India sources taken all together. At the same time you want to adjust the prices as between Sambhar, Khewra and Kharaghoda in such a way that the present market for each source is more or less preserved. That is the principle on which it has been done.

Mr. Lloyd.—That is the principle.

Mr. Mathias.—The principle being that if the markets vary, the costs will vary. You must assume more or less a stable market, before the costs could be estimated.

Mr. Lloyd.—The more immediate object is to avoid the embarrassment of all the demand being concentrated in one source.

President.—As regards prices, what I see in this part of the market is this: you have been trying more or less to eliminate uneconomic competition between one Government source and another, is that right?

Mr. Lloyd.—It would be fairer to say that we were trying to prevent the emergence of undesirable new competition.

President.—Leave aside the question of consumers' taste for the moment and put yourself in the position of a manufacturer who has got six different units more or less manufacturing the same class of goods, wouldn't you in that case fix the price in such a way that your six units do not come into competition on the borderland.

Mr. Lloyd.—Is it not a restatement of what we have said as being our policy?

President.—But you have that in view.

Mr. Lloyd.—We have that in view—to keep the various sources which can most conveniently supply.

President.—For that you want to make adjustment of prices.

Mr. Lloyd.—Yes.

President.—If the adjustment do not appear to be sufficient, you would agree to other adjustments being made.

Mr. Lloyd.—Quite.

President.—You would?

Mr. Lloyd.—The present prices were fixed after a consideration of what we thought at the time to be a suitable divergence from the actual estimated cost price at each source. We took the estimated actuals for the purpose of making adjustments such as you suggest which are embodied in the present prices. If further adjustments were necessary, we would make them.

President.—I was not quite clear in my mind. That is one of the objects which Government has in view?

Mr. Lloyd.—Undoubtedly.

President.—As far as possible each source would have its own geographical zone.

Mr. Lloyd.—Yes.

Mr. Tottenham.—May I read a paragraph out of this note?

President.—Yes.

Mr. Tottenham.—" In theory it might be argued that as salt is being sold at cost price, a price should be charged for the salt of each source which it costs the department to produce that salt. But this leads to the somewhat difficult position that the Government of India raise barriers against themselves and alter the limits of the zones to which the various kinds of salt are despatched. For instance, if the price of Khewra salt is raised to 5¼ annas from 3½ annas, the cost of a wagon (the basis of the transactions between most of the purchasers at the mine and their constituents) rises by over Rs. 60. This will lead to the replacement of Khewra salt by Sambhar salt in marginal territory, and the smaller consumption of the former will lead to a higher cost of production per maund with a consequential need for raising the price again and the creation of a vicious circle which can only result in a serious diminution in the consumption of a salt of which there exists an abundant and secured supply ". These considerations were borne in mind.

Dr. Matthai.—In other words the object of your new policy is to eliminate competition between different Government sources.

Mr. Tottenham.—Yes.

Mr. Lloyd.—To eliminate so to say undesirable competition; to put those marginal zones at the most convenient points having regard to the capacity of the works.

President.—Now we come to the next point. Your prices are fixed more or less *ex*-works.

Mr. Lloyd.—Yes.

President.—That works in rather a peculiar way. Just by way of illustration, take Sambhar. You sell at As. 5 including weighment. That was raised from As. 4-3 to As. 5.

Mr. Lloyd.—Yes.

President.—You have fixed this price on a certain production, which we will assume for the sake of argument was 60 lakhs of maunds. We would then assume that if you could produce one crores of maunds, your average cost would come down from As. 5 to say As. 3.

Mr. Lloyd.—Yes.

President.—But that extra 40 lakhs have got to go to more distant markets. Therefore if you charge that same As. 5 for the distant markets you cannot hope to capture those markets. If you sell the 60 lakhs at As. 5 and the other 40 lakhs at As. 3 or As. 2 as the case may be, you are able to get those markets and you are able to realise a price which gives you a return which is the equivalent of your reduced average cost.

Mr. Lloyd.—Yes.

President.—You may have a price of As. 5 in a particular zone. We will call it the home market. In the home market you get a higher price

and in the more distant markets you get a lower price. But I find that Government have been rather reluctant to charge different prices. The consequence therefore is that you cannot increase your production, and may possibly be keeping up the price of all salt higher than you need.

Mr. Tottenham.—Did you mention a figure for the cost of production? Assuming that the output was 100 lakhs of maunds, we have figures as to what the cost price would be. On 100 lakhs of maunds it would be about annas 4 pies 8 a maund. The sale price would be As. 0-4-8 including everything.

President.—The figures are not necessarily correct. They are merely given for the sake of illustration. This point has been considered previously and Government have always said that the consumer must not be deprived of the advantage of his proximity to the works. He must have that advantage in the price. If you adhere to that principle for ever, you cannot hope to expand your market.

Mr. Lloyd.—Yes.

President.—Government need not make any profit on the whole, but it is not bound to sell at the same price in all localities.

Mr. Lloyd.—That is a matter of machinery. As a matter of principle I myself cannot see any objection.

President.—At present you cannot commit Government. I can quite see that but do you really see any objection in principle?

Mr. Lloyd.—I don't see any objection in principle.

Mr. Tottenham.—But it might be difficult in practice.

Mr. Lloyd.—If I may quote an analogy, this question has a certain resemblance to the question which has been discussed in the Public Accounts Committee whether electricity supplied from Sambhar to Phulera Station has been sold at a loss or not. It has been decided that the price recovered was sufficient to cover the extra cost though it did not contribute anything towards the overhead. So, we were justified in holding that the power was not supplied at a loss.

Mr. Mathias.—The principle really is that people who live adjacent to the Salt Works cannot reasonably complain if they are getting the salt at a price at which they will get it if the production has been sufficient only for that market.

President.—That is the principle. In the long run of course he will benefit by the reduction. But supposing the manufacture was undertaken for him only the cost might come to 8 annas a maund instead of 5 annas, so that that is his maximum limit at that end, or it may be that if he has got a substitute the price of that substitute would be his maximum limit. Within those limits there is no objection to his having to pay a little more.

Mr. Lloyd.—Speaking personally I see no objection as a matter of principle.

President.—Take the Bengal market. Assuming that Sambhar can produce the finer salt that is used in Bengal, it has got a long lead and therefore unless the price is reduced that salt could not be put in that market. It is for that reason that I am asking you.

Mr. Lloyd.—Quite.

Mr. Tottenham.—Are you suggesting that it should be sold below cost price in those remote places?

President.—The question does not arise so long as the average price that you realise gives you the price that you want.

Dr. Matthai.—Exactly as you are selling in the Khewra market.

President.—It is the same principle on which a big organisation is worked. Take the cost of sulphate of ammonia for instance. In the home country it would be sold at a higher price than the average they would get in

foreign countries. I am putting this question to you because there has been a lot of argument about this in the past mainly based on the fact that a man in the proximity of the works should not be deprived of his freight advantage or some such thing and that he ought to get the salt at the same price as anybody else.

Mr. Lloyd.—As I say, speaking personally I don't see that that argument is convincing.

President.—Then, as regards the commercialisation of Government accounts, I take it that you are advised by the Auditor General.

Mr. Lloyd.—The form of the accounts you mean?

President.—Yes.

Mr. Lloyd.—The form of the accounts is adopted on the advice of the Auditor General's staff.

Mr. Tottenham.—We have always taken his advice.

President.—We want to know how far the Auditor General has a voice in the commercialisation of accounts. As regards prices I take it that he has no voice.

Mr. Lloyd.—No.

President.—But he can say that you are losing on the transaction and therefore to that extent he may have a voice.

Mr. Tottenham.—He can call our attention to it.

President.—He may say that you were losing as he has said in one case and therefore he will make suggestions as to what you should do. Whether you accept his suggestions or not is a different matter.

Mr. Tottenham.—He can report ultimately to the Secretary of State.

President.—We look upon it as a business and we want to know how far this sort of control is exercised in a way which may interfere with your management.

Mr. Lloyd.—I think you may put any apprehensions of that sort aside. Really as I understand it the function of the Auditor General and his staff is to make certain that we enter everything in such a manner as to secure accurate results and calculations but how we use those results is a matter which rests with the Government of India solely.

President.—I may be quite wrong, but my idea of audit is that it has got to see that the money that is being voted by somebody else has been properly spent—not properly spent exactly but accounted for.

Mr. Lloyd.—The commercial audit is to see that we debit the right thing to the right heads. It is to make sure that we debit to the cost of production everything that should be so debited.

President.—The Auditor General considers what constitutes the cost of production.

Mr. Lloyd.—Yes.

President.—I have seen that he allocates also.

Mr. Tottenham.—But we are not bound by that.

Mr. Lloyd.—The point is that even if you obtain his figure and take it as the right cost of production, the Government of India are not bound to sell at that price. It is a matter of policy; it is not a statutory matter.

Dr. Matthai.—I see in some of your notes a point raised about weighment charges. I understand that the suggestion made by the audit officer is that about 1/6th ought to be charged to the manufacturing costs. Supposing ultimately the Central Board of Revenue decides that some other proportion is the right proportion and if the Government of India accept it, you can set aside the audit officer's suggestion.

Mr. Tottenham.—We have done so.

Mr. Mathias.—In practice, the audit officer goes considerably beyond pointing out whether the accounts have been kept correctly or not.

Mr. Lloyd.—That is what is called higher audit.

Mr. Mathias.—Don't you find that in some cases it is embarrassing?

Mr. Lloyd.—If the authority of the Government of India remains as before, I don't see any embarrassment. If he is able to argue that we are committing a breach of some statutory regulation, then it may be embarrassing. If, for instance, there was a clause in the Indian Salt Act saying that salt should not be sold at more than the cost price, I can see there might be a very serious embarrassment.

Mr. Mathias.—Such suggestions, for instance, as relate to stocks or price normally go to the Public Accounts Committee, would they not? To that extent, they might embarrass the commercial management of the Department, might they not?

Mr. Lloyd.—To answer that, I want a definition of the word 'embarrassing'.

President.—I want first to discuss the functions of the Audit Department: then, those of the Public Accounts Committee so far as they are relevant in this enquiry. Now, as regards the Audit Department, I take it that you use them as your advisers in the commercialisation of your accounts.

Mr. Lloyd.—That is correct.

President.—But then, you are not necessarily bound to follow the advice of the audit officer unless he is able to point out some irregularity which comes within the audit rules or the law.

Mr. Lloyd.—I think that is a correct statement.

President.—I have not really very much to say as regards what we may call the works costs by which I mean the costs incurred at the works such as labour, power, fuel, and so on except as regards Khewra to which I shall come presently. Speaking generally, the greater part of the selling price consists of what we describe as overhead charges and the return on capital.

Mr. Lloyd.—At all sources?

President.—At most of them I think.

Mr. Lloyd.—Yes, if you include royalty in overhead charges.

President.—The Sambhar costs are very low if you exclude the royalty.

Mr. Lloyd.—I admit that at once as regards Sambhar.

President.—We work out the costs in a somewhat different way.

Mr. Lloyd.—We have an estimate for what we call 'normal' output at Sambhar and under that estimate royalty and compensation come to pretty nearly half. The next biggest item is 'manufacturing charges'. Then, comes 'interest and depreciation' which together are slightly below manufacturing charges.

President.—The manufacturing charges constitute one-third of the total costs.

Mr. Lloyd.—One-fourth, if you include interest and other capital charges.

Dr. Matthai.—May I know what is your normal figure for royalty?

Mr. Lloyd.—Rs. 8,70,000.

President.—It came to Rs. 9,72,000.

Mr. Lloyd.—That was for 1928-29.

Dr. Matthai.—That is just under 2 annas a maund.

Mr. Lloyd.—Yes.

Dr. Matthai.—The manufacturing costs would be slightly above one anna.

Mr. Lloyd.—Yes.

President.—We work out costs in this way. We first of all determine what we call the works costs. I think you call them prime costs. Then, we add the other charges.

Mr. Lloyd.—Depreciation and interest you mean.

President.—Yes. As regards depreciation we don't generally follow the income-tax rates. Of course, that might not apply to salt.

Mr. Tottenham.—I don't think we follow the income-tax rates either.

President.—Most people do. In other enquiries we have followed a rough and ready principle. We allow 6¼ per cent. on the total block value, but that is not possible in this enquiry. First of all, we have to determine the value of the block. It is there that I find some difficulty in the commercialisation. We will take Sambhar for instance. I am giving you round figures. Your total block value comes to Rs. 54 lakhs roughly.

Mr. Lloyd.—I have not got that.

President.—You may take them as approximate figures. As I was telling you just now, before determining the depreciation which you are entitled to add, we have to determine the block value

Mr. Lloyd.—Yes.

President.—This is how we have done in other enquiries. We first of all determine what the unit ought to be as regards production. Then, we say that if a man was working this unit, it would cost him so much.

Mr. Lloyd.—Yes.

President.—That will be scrapped after so many years, and we allow that proportion. Supposing we take the life of the unit as 16 years as we have done in other enquiries we allow 6¼ per cent. on that. What we go by is how much it would cost him if he was erecting a new unit to replace the one in use. Let me understand how the value has been arrived at. I understood that they had taken the actual cost.

Mr. Lloyd.—Yes, not the replacement cost.

President.—Therefore the actual costs may be less or they may be more.

Mr. Lloyd.—In the case of Sambhar it will be more.

President.—Most of the money was spent between 1920 and 1924, was it not?

Mr. Lloyd.—That is so.

President.—The actual book value has been taken. In most of our other enquiries we have cut down the value of anything that was done prior to 1923 by about 40 per cent. because the prices then were very high. In most of our enquiries in all postwar expenditure, I will say rather up to the armistice and in 1923-24 when the exchange came down to 1*s.* 6*d.*, what we did was to write down the value, I want to know whether that was done in this case.

Mr. Lloyd.—No. I don't admit that there was any case for doing it, because you were then concerned with private concerns which are run by private enterprise working for profit while this was a concern which was run out of public money not aiming at a profit. I don't suppose an analogy could be drawn between the two.

President.—The point is this. Suppose that between 1922 and 1924 your book value was Rs. 40 lakhs; I need not dispute that fact as regards the return on the capital. But for depreciation it may be a different matter. The question is whether you need depreciation on Rs. 40 lakhs. If the replacement value is not as much as 40 lakhs, you would be allowing too much for depreciation.

Mr. Lloyd.—If you depreciate on less than 40 lakhs you are writing off a portion as dead loss.

President.—To rebuild a plant you should have sufficient money for replacement. For that purpose you must have a sufficient depreciation fund.

Mr. Lloyd.—I see your point,—that depreciation should be fixed with a view to rebuilding the plant not with a view to past costs.

Mr. Tottenham.—You don't know what the costs will be in future. Ours is a conservative method.

President.—We more or less give you what we consider the present replacement value of the plant.

Mr. Lloyd.—I am prepared to admit that the present replacement cost is less, but the future replacement cost may be as big as the original cost.

President.—That has not been our experience.

Mr. Lloyd.—I admit I see no reason to assert that we must contemplate future replacement cost being at as high a level as the original cost.

President.—I am simply telling you what we have found in our enquiries. Take the case of the Indian Iron and Steel Company. They put up their plant about the same time. Take the case of the Tinplate industry; the same thing happened in the Steel industry. As a matter of fact some of them have written down their block account by a higher figure.

Mr. Lloyd.—I think it is a most useful idea which had not occurred to me.

President.—What we say is this. The money that you have spent on the plant is locked up and therefore you are entitled to a return on your actual investment but we can say you are not entitled to depreciation on that amount because you can replace your plant at much less cost and as far as I see you don't seem to disagree with me.

Mr. Lloyd.—I can't find any basis upon which I can disagree.

President.—If the Auditor General has advised you on this point, we should not consider ourselves necessarily bound by his decision.

Mr. Lloyd.—I can't say whether the Government would accept your advice or the Auditor General's advice on a point like this.

President.—Was the actual cost taken with the advice of the Auditor General?

Mr. Lloyd.—Certainly.

President.—I understood from your officers at Sambhar and Khewra that they were required to find out the actual costs wherever possible.

Mr. Lloyd.—That is the present practice.

President.—Then I think that in their case they put a valuation on what existed.

Mr. Tottenham.—I think that is right.

President.—I have not been able to discover how they arrived at that valuation. So far as Sambhar is concerned we have this big sum, Rs. 36 lakhs, which has been spent during that period and the question arises only as regards that.

Dr. Matthai.—Actually the bulk of the capital expenditure in Sambhar has been in respect of the kyars. The building and kyars between them cost Rs. 48 lakhs out of a total of 54 lakhs; so that the plant cost about Rs. 2 lakhs and roads and bridges about Rs. 2,000.

Mr. Lloyd.—The expression 'buildings and kyars' that you use is a very comprehensive expression because the figure would also cover the dams.

Dr. Matthai.—The point I was trying to raise is this, that supposing it was a question of determining the replacement value the reduction in prime cost would not be so great in the case of bridges and buildings as it would be in the case of plant and machinery.

Mr. Lloyd.—I suppose not. I may say we take different rates of depreciation on different classes of work, *e.g.*, on buildings 2½ per cent., on plant and machinery 7½ per cent. and so on.

Dr. Matthai.—2½ per cent. is the income tax figure.

President.—I have got that split up like this (hands in a statement).

Mr. Lloyd.—That is better.

President.—I don't want to enter into all this controversy which has been going on as regards Sambhar but I may tell you what my feeling is about Sambhar, I am not expressing any definite opinion, but supposing you were

given this full depreciation which would wipe off Sambhar in 15 or 16 years will the works be reconstructed in the same way? These works, I take it, were started before your time. I tried to get such information as I could from the files and the impression it made on my mind—I am not an expert in salt making—but the impression made on my mind is this that if you were to reconstruct Sambhar it might be very different from what it is now. That enters into the question of replacement value; that is why I am putting it to you. Am I not right in saying that Mr. Bunting who was mainly in charge of the scheme—I have never come in personal contact with him—was an irrigation engineer.

Mr. Lloyd.—Yes.

President.—What I could not get any information on was how far Mr. Bunting had experience of salt works.

Mr. Tottenham.—He was not originally a salt engineer but he studied the subject.

President.—The whole point is he was not an engineer who had any personal experience of salt making.

Mr. Lloyd.—He gained considerable experience in other countries. In all fairness to him I can't admit that he had not studied the subject.

President.—I have been trying to get the information and I want to know whether he studied the question before the scheme was projected.

Mr. Lloyd.—I can't tell you the exact history of it but I know that he studied the subject.

President.—He is studying salt making now.

Mr. Lloyd.—May I point out to you that the problems presented by Sambhar are probably unique in the world.

President.—I don't dispute that fact if you are speaking of it as a piece of irrigation work; as a salt works I have doubts.

Mr. Lloyd.—I hope the reporter will not record any agreement on our part as regards that.

President.—In going into this question we should be careful as to what we should recommend that Government should do with the depreciation fund when it has accumulated. Since you have been in charge of these works have you consulted any salt manufacturing expert to find out what can be done at Sambhar?

Mr. Lloyd.—There was none available. Attempts were made to find one but there was no salt expert available who was a greater expert than Mr. Bunting.

Mr. Tottenham.—The electrical part of the scheme was reported on favourably by Mr. Pitkeathly.

President.—I don't deny that Mr. Bunting may have been a very clever engineer but we have to look at it from the commonsense point of view. What I suggest is that you had first to find out what processes should be used in the manufacture of salt and then you were to construct your works accordingly. Was that done?

Mr. Lloyd.—Mr. Bunting had behind him the accumulated experience of the Northern India Salt Revenue Department.

President.—Quite true but whether that experience is enough for the purpose of launching a big project is doubtful. When we were at Sambhar, I examined Mr. McIver who has been there as General Manager for many years and he said that he actually was not consulted by Mr. Bunting.

Mr. Lloyd.—He was not the General Manager in Mr. Bunting's time. He had a superior officer. I imagine Mr. English was his superior officer.

President.—I never heard of Mr. English.

Mr. Lloyd.—He wrote a book about salt manufacture and he actually carried on some of Mr. Buting's work while he was on leave. I say that merely because I don't think it should be published that any individual

officer now in service said that he was not consulted. I think it would create an unfair impression.

President.—This man was there and he was apparently not consulted. I don't say that nobody else was consulted.

Mr. Lloyd.—That is what I mean. I don't think it is correct to suggest that Mr. Bunting entirely operated out of his own head without reference to the officers of the department. Of course I was not there either. It was a suggestion which I could not accept on such information as I possess.

President.—Your case is that there is no expert whom you can consult.

Mr. Lloyd.—We have not been able to find one.

President.—And therefore it follows that Sambhar works must go on as they are.

Mr. Lloyd.—The opinion of the Government of India is that Sambhar works are well designed and well executed.

President.—That is based not on the advice of experts in salt manufacture.

Mr. Lloyd.—As I say, in the nature of things how can there be experts in conditions exactly like Sambhar? But it is on the advice of all sorts of persons including for example Sir Thomas Holland who was in the Government of India.

President.—I am merely suggesting this: so far as it is relevant to this enquiry that whatever the view may be, it is worth while for the Government of India to see now that proper advice is taken. You cannot assume that you have taken the best advice.

Mr. Lloyd.—We have taken all the best advice available to us on this matter in the course of the discussions arising out of the manner in which Mr. Bunting conducted his works.

President.—That part of the thing I have read and I have no sympathy with that discussion. The money has been spent.

Mr. Lloyd.—What I wish to make clear is that we have taken the best advice that is available to us and it is the conclusion of the Government. We at any rate the Members of the Board are not prepared to make any admission whatever that Mr. Bunting's scheme was not well conceived and well executed.

President.—If you go as far as that we will point out where it is not so. If you take up this stand without knowing what we have in mind, I have nothing to say.

Mr. Lloyd.—I should be glad if you could throw any light. This is the first time that criticism of this sort has been suggested as far as I know. Therefore we should be very glad to receive and consider any suggestion or criticism from whichever source it comes.

President.—I am suggesting to you whether you are prepared to take expert advice.

Mr. Lloyd.—We are prepared to take any advice.

President.—It has been assumed all along that so far as the construction of the works is concerned, there is no room for improvement and I am trying to point out that it is not the correct attitude.

Mr. Lloyd.—We should be very glad to consider any suggestion that you put forward which has not been put before us. No concrete statement about improvement has been put forward except the question of electrification.

President.—That is a very minor thing.

Mr. Lloyd.—I am speaking generally of the scheme. I am not speaking of any detail. I am not speaking of any wind mill here or there.

President.—We may point this out in our report if it becomes necessary, but I will tell you one or two points about it. As far as we could see from the records and the evidence—there may be other documents to which we have had no access—we don't find that there was sufficient evidence to suggest that this process of manufacture which has been adopted in Sambhar was

sufficiently investigated for instance before it was actually adopted. You know the process they call the accretion system. The main idea was to preserve the brine.

Mr. Lloyd.—That was one of the fundamental ideas.

President.—As regards that I have nothing to say except this that the reservoir there really speaking is so constructed that it acts as a condenser. I am just trying to explain to you that it has got too big an evaporating surface. I mean it is shallow. (This is a point on which I want you to take advice afterwards if you think that there is anything in the suggestion) and therefore by March and April practically all the brine from that reservoir evaporates and there is very little left. That is one of the reasons why they say they adopted the accretion system, so that they should replenish the kyars before the brine had evaporated.

Mr. Lloyd.—Yes to make the salt quickly.

President.—Therefore my suggestion is that there Mr. Bunting might have done better perhaps. You must take expert advice on that point. I am only suggesting to you as a layman that perhaps he might have done better if the reservoir had been deeper and the evaporating surface smaller, because evaporation takes place in direct ratio to the surface and in inverse ratio to the depth and it is there that the process comes in question. It may be possible for the works to change the process and get more output at less cost. This is the point on which I was trying to get some information, and no one was able to tell me.

Mr. Tottenham.—We certainly can't tell you. We are laymen in regard to these matters.

President.—So are we. But looking at it from that point of view it has had one consequence you would agree, I suppose, so far as solar evaporation is concerned, that March, April and May which are the hottest months are the best ones for manufacture.

Mr. Lloyd.—I imagine so.

President.—What happens is that in those months, March, April and May you have got no brine. Therefore the best season is not used for manufacture.

Mr. Lloyd.—I follow your point.

President.—And the manufacturing takes place in the earlier months, because in this reservoir the brine evaporates by March, April and May. Therefore my suggestion is to retain the brine so that you can make use of these months for the production of more salt.

Mr. Tottenham.—According to your view when does the manufacturing season cease?

President.—At present there is no brine left.

Mr. Lloyd.—This year they will probably go on later.

President.—This year they started later.

Mr. Lloyd.—Whenever it starts the period is limited or is equally short.

President.—Therefore the idea is that you must stop this unnecessary evaporation by deepening the reservoir. That is the point.

Mr. Lloyd.—It is a matter which we shall have to go into.

President.—It has some bearing on the cost eventually. Supposing just now you have 1,000 acres. If you could preserve your brine up to the end of the season, you would probably find that you would require a smaller area for manufacture.

Mr. Lloyd.—To manufacture the same amount you mean.

President.—I am simply throwing out that suggestion.

Mr. Lloyd.—It is a suggestion on which we will have to take expert advice.

Mr. Mathias.—You don't know whether there are any engineering difficulties in constructing the reservoir as suggested.

Mr. Lloyd.—It is quite impossible for me to answer that question.

Mr. Tottenham.—What is the area of kyars you said just now?

President.—The reservoir is 6 square miles. Its average depth is 8 feet and therefore it would evaporate very quickly.

Mr. Lloyd.—What is called the crystallising area is something under 500 acres.

President.—I am merely suggesting this. I tried to find out how far this point had been considered. If your expert decides that there is nothing in it, I have nothing to say. There was no one there who could give me any information, nor could I find this information from the various reports of Mr. Bunting's or Mr. Fergusson's. If there is anything in my suggestion, then you will use your reservoir as a reservoir only and not as a condenser also as you are using it at present. At present your kyars are used both as condensers as well as pans. You may have two or three sets of separate condensers before you put the water into the actual crystallising pans. When you limit the area of the crystallising pans, you may improve the quality of salt and get more. Then you are in a position to consider whether you can have any other beds than the ones that you have. It is for that reason I was suggesting this course to you.

Mr. Lloyd.—We shall consider any suggestion that you make. It is quite impossible to anticipate our conclusion when everything has been examined with the best engineering advice that is available. It is conceivable to my mind from the very start there might be insuperable difficulties in making a deep reservoir.

President.—I am not suggesting for a moment that that ought to be done.

Mr. Lloyd.—No.

President.—The reason why I ask you whether experts have been consulted was to get this point examined.

Mr. Tottenham.—Mr. Strathie was on special duty. He is a man who had much experience of salt manufacture in Madras. He went round and he certainly criticised many things, but he said nothing on this point.

President.—I don't want to express any opinion now on Mr. Steathie's qualification as an expert. When I speak of a salt expert, I mean a real expert who has worked in big salt works.

Mr. Lloyd.—In almost all cases they have an illimitable reservoir which is the sea.

President.—What I suggest is this: you want an engineering expert, because there are special features in Sambhar and at the same time you want a salt expert who can work in consultation with the engineering expert. From the engineering point of view the works should be so laid out that the process of manufacturing salt becomes easier.

Mr. Lloyd.—We should be exceedingly glad to find such an expert.

President.—It is for this purpose I was finding it difficult to say on what you are to depreciate. All this argument is for that purpose.

Mr. Lloyd.—Before we get down to the ultimate results, depreciation and interest as it stands only represents something less than 1/4th of the total cost of production.

President.—Supposing you took advice on this point and you found that the works ought to be reconstructed on the advice of the expert, we might not be allowing you enough.

Mr. Lloyd.—We have no reluctance at any time to take any advice so long as we are not asked to commit ourselves as to what the result of the advice would be.

President.—You do not appear to be predisposed to take any advice.

Mr. Lloyd.—We don't need to be predisposed to take any advice. If a responsible suggestion is made, we shall certainly ask the permission of the Government to examine it.

President.—I understood you to say a little while ago more or less that it was the view of the Government of India that the Sambhar works was the most perfect one.

Mr. Lloyd.—On the present information before them.

President.—You didn't think that taking advice was any good.

Mr. Lloyd.—I don't think I said that.

President.—I understood it in that sense. That is why I was labouring that point.

Mr. Lloyd.—I certainly never said that.

Mr. Tottenham.—What Mr. Lloyd said was "We took all the expert advice that was available at the time. We should be very much interested if anybody made suggestions for the improvements of Sambhar.

President.—As regards the commercialisation of accounts, the next item is the return on capital. I take it that that is fixed at about 5½ per cent. Is that right? I think that it is the rate of interest which the Government pays on an average.

Mr. Lloyd.—We can assume that.

President.—There is no point in really varying it by ·2 per cent. which is really a complication of the accounts. This 5 and odd per cent. is the average rate at which Government borrows.

Mr. Lloyd.—That does not matter very much for your purpose.

President.—As regards the working capital we have not enough data as to what Government does.

Mr. Lloyd.—It is not taken from capital.

President.—A certain amount of money is locked up.

Mr. Lloyd.—The money has to be sanctioned by the Assembly. Can we submit a note on that?

Mr. Mathias.—You charge on your general stores, bags, etc. But you don't charge interest on salt in store.

Mr. Lloyd.—I think we do.

President.—You want interest on your stocks. During the process of manufacture, whilst the thing is unfinished and so on, some allowance has to be made for that. In this case, I do not know what it may be. We generally calculate on a rather rough principle.

Mr. Lloyd.—The suggestion is that to that extent we undervalue.

President.—Yes.

Mr. Lloyd.—We are examining that point. I cannot answer it straightaway. We shall let you have a note on that point.

President.—We generally do it this way. In the case of other industries we say that the capital would be locked up say on a turnover of 5 or 6 months. Then, we allow so much interest but the case of Sambhar is rather peculiar. At the end of the season the whole of the crop goes into stock.

Mr. Lloyd.—Yes.

President.—Therefore the value of the whole of that crop is locked up until it is disposed of.

Mr. Lloyd.—Yes.

President.—If we took in your case 6 or 8 months, would it be right?

Mr. Lloyd.—We will let you have a note on that point.

President.—It is rather a small point.

Mr. Lloyd.—But it is a point which I cannot answer without further examination.

President.—We are not concerned with the audit part of the thing.

Mr. Lloyd.—No.

President.—We generally take 6 months turnover and say 'this is what is required'.

Dr. Matthai.—The question of outstandings will not arise because the price is paid in advance.

Mr. Lloyd.—No, except of course the possible loss of interest under the credit system.

Dr. Matthai.—That is on the duty.

Mr. Lloyd.—I think that the credit system applies to the whole thing. Of course, tne cost is very much less than the duty.

Mr. Tottenham.—I have found the answer to that question:—

> "*Interest on capital.* Before 1928-29 interest was calculated on the value of assets such as land, buildings, other works, plant and machinery, roads and bridges, furniture and fittings, general stores and bags. But from this year interest is also calculated on the value of the stock of salt and any other amounts due to and from the manufacturing branch of the Northern India Salt Revenue Department at the beginning of the year, *i.e.*, interest is now charged on net capital, *i.e.*, fixed *plus* floating assets less liabilities".

President.—So, interest is charged.

Mr. Tottenham.—Yes.

Dr. Matthai.—Does that apply to the costs of 1928-29?

Mr. Tottenham.—It says here 'from this year'. I think it means from 1928-29. Anyway, it is being done now.

President.—So far as we are concerned, we should like to calculate on six months or eight months turnover. When you have worked out the figures, you can tell us that is about right. That is all we need.

Mr. Lloyd.—Yes.

President.—Under overhead, we include depreciation, interest on working capital and the cost of the superior management. I have not been able to follow on what principle the allocation is made. For instance, 9/10ths of the Commissioner's office expenses are debited to manufacture and 1/10th to the preventive. Is that fixed by the Audit?

Mr. Tottenham.—I suppose it was fixed in consultation with the Audit.

President.—As regards the allocation of 9/10ths to manufacture, tell me whether you take what is called the revenue expenditure of each source as your basis.

Mr. Lloyd.—It is quite impossible to answer that question without examining the files.

President.—This is the principle that is put down. "The expenditure of the headquarters office has been allocated to the various places on the ratio which the total revenue expenditure of all the sources bears to the expenditure of each source". I do not know what that means.

Mr. Lloyd.—The total expenditure including interest and depreciation?

President.—Can it not be simpler than that? Put yourself in the position of a really big manufacturing concern with various units. The head office expenditure is not allocated at all. You say your total production is so much in all those places and your total expenditure is so much.

Mr. Lloyd.—Once you group the sources, it is quite an easy proposition.

President.—I am just asking you.

Mr. Lloyd.—It is well worth examining.

President.—It is one establishment. You cannot say how much of your time is given to Sambhar and how much of your time is given to Khewra, or Didwana. It is general expenditure and it ought to go to production.

Mr. Lloyd.—Undoubtedly: once we group the sources together, we can follow that. Whether the Controller of commercial accounts will find insuperable objections to this system, we cannot foresee. We should be perfectly willing to consult him on that point.

President.—All that is necessary is to calculate the incidence per ton or maund of these costs and be done with it.

Mr. Lloyd.—You have to find out what to add per ton by dividing the expenditure by the total tonnage or maundage.

President.—Why don't you take your 9/10ths and divide that by the total production of all the sources and say that the incidence per ton was such and such? Would not that be simpler?

Mr. Lloyd.—We are perfectly willing to examine this point now, but this question has never arisen before last summer. Before that, we have had to work out the cost of salt of each source.

President.—Then, there is another thing which puzzles me. Khewra for instance pays a bigger share than Sambhar.

Mr. Lloyd.—Obviously the explanation for that is that the compensations have not been classed as revenue expenditure. They must certainly come out of the revenue. If you took the figures and deducted the interest, depreciation and compensations, our normal figure for Sambhar on a production of 70 lakhs of maunds comes down to something under Rs. 7 lakhs—just for the sake of argument. At Khewra, the deduction is to be made only for depreciation and interest. On an output of 30 lakhs of maunds, our costs come to Rs. 7¼ lakhs.

President.—In the administration report for 1927-28, I find that the share of the headquarters office charged to Sambhar is Rs. 37,000 whereas the amount charged to Khewra is Rs. 51,000 and odd. But the production of salt at Sambhar is twice as much as at Khewra.

Mr. Lloyd.—If you exclude the compensations, the revenue expenditure at Khewra is higher.

President.—I don't dispute that. This result, from the business point of view, strikes me as rather odd. I am talking of simplification. From the business point of view, this does not lead to satisfactory results.

Mr. Lloyd.—As far as we are concerned, what you suggest would be simpler.

President.—The same thing applies to audit charges.

Mr. Lloyd.—That is not a very important thing.

President.—It complicates the making up of accounts and I am simply suggesting this so that you might consider it.

Mr. Lloyd.—Yes.

President.—That disposes of the overhead charges.

President.—We now want to go into this question of compensation which is a very big item in the case of Sambhar. There is a fixed compensation under the Treaties payable to Jaipur and Jodhpur. I think that amounts to about Rs. 4 lakhs.

Mr. Tottenham.—There is a fixed sum of Rs. 3 lakhs allotted between Sambhar, Pachbadra and Didwana.

Mr. Lloyd.—The fixed compensations, which amount to a much larger sum, were given partly for political and partly for fiscal reasons. Compensation for the loss on manufacture was a small element in the calculation and therefore of the total compensations only a relatively small amount is debitable to the cost of production.

President.—It is very difficult to estimate this. If you take the two together it is a tremendous amount. Out of a production of 70 lakhs maunds you do not pay any royalty on 17 lakhs maunds.

Mr. Lloyd.—No.

President.—After that you pay 2/5ths of the actual selling price *plus* this fixed sum.

Mr. Lloyd.—*Plus* this fixed sum which is compensation for loss of profit.

President.—Take this 5 annas 3 pies. You pay straight off two-fifths of that as royalty and then on top of that you pay Rs. 3 lakhs which works out

at another one anna.

Dr. Matthai.—On top of that you pay them in kind.

Mr. Lloyd.—We had a lot of discussion with the Auditor General on this subject. He originally wanted to charge everything to cost of production.

President.—It makes the position very difficult from the commercial point of view.

Mr. Lloyd.—I fully agree.

President.—What it comes to is this that for every 5 annas you give away 3 annas roughly on the actual allocations—40 per cent. goes straight off.

Mr. Lloyd.—At Sambhar royalty represents 45 per cent. of the total cost of salt.

Dr. Matthai.—That is a little over 2 annas a maund assuming that 5 annas is the cost.

Mr. Lloyd.—It works out to just over 2 annas. It would perhaps interest you if we point out that we had a *pro formâ* calculation made of what it would work out to on a production of 80 lakhs, 90 lakhs and 100 lakhs and it came to this: If the production was 70 lakhs royalty would cost 2 annas 1 pie a maund, if the production was 80 lakhs it would be 2 annas 1½ pie; if the production was 90 it would work out to 2 annas 1½ pie and if the production was 100 lakhs it would come to 2 annas and half a pie. It is fairly constant.

Dr. Matthai.—What is the margin between the two?

Mr. Lloyd.—2 annas and 1 pie on 70 and 2 annas and half a pie on the greatest amount.

President.—Every time you put up the price, two-fifths of that goes?

Mr. Lloyd.—That is correct.

President.—It does strike me that this is a very heavy item and really speaking if you look at it as an all India proposition Sambhar was intended to supply not only that particular part but it supplies the United Provinces, Rajputana, Central India, some parts of the Punjab and if you had produced more salt it might have gone further still, and therefore it seems to me that if you really want more money practically the whole of India ought to pay for it. Supposing there was no Sambhar it would practically affect the revenues of the whole of India except Madras, would it not?

Mr. Lloyd.—Some of the assignments are not debited to the salt account, which sums we consider as political and preventive.

President.—Why then make any distinction about this?

Mr. Tottenham.—That goes back to the origin of the lease. These various payments were classified according to the consideration for each which we ascertained from studying the Treaties.

President.—The Treaties do not suggest that you must allocate so much, do they?

Mr. Lloyd.—Some of these compensations were paid on political grounds; and some on fiscal grounds. Royalty, for example, was paid to the States for the privilege of making salt within their borders.

President.—If you look at it as a mining royalty it is very high.

Mr. Tottenham.—We can give you a note explaining exactly what our views were.

President.—If you would kindly let us have a note it would be very useful.

Mr. Tottenham.—We will send you a note explaining which items might be regarded as political and which items fiscal and so on.

President.—The question arises in this way, that if you were to extend the market for Sambhar, for instance, with this sort of heavy burden on it, it is not a very easy thing to do. We can look at it this way: Sambhar supplies a part of the market, that is to say its geographical market, namely, the United Provinces, the northern part of the Punjab and so on. All this should be borne by that part of the market where the salt is sold.

Mr. Lloyd.—That might be got over at once. We can sell our salt in Bengal for instance at 3 annas a maund.

President.—It is these people who are immediately benefited by the production of salt at Sambhar and they should bear it.

Mr. Lloyd.—You mean the old market not the new market?

President.—Yes. Supposing we make that proposition we have to make out a case which might satisfy the other people who think they are paying a higher price. It is really for their benefit that Sambhar Lake was purchased and therefore they must bear a bigger share. The other people will buy foreign salt if you don't give your salt at that price. It does really appear that in the old days Government made a very unfavourable bargain in fixing the royalty. They can of course make Jaipur and Jodhpur contribute towards the reduction in price but then they would lose on their fixed compensation and royalty which form part of the price.

Mr. Lloyd.—I have no doubt that the Jaipur and Jodhpur Darbars will have their views on such a proposal.

President.—If the question did really arise I don't think there will be any objection under the Treaties to Government doing it because it is really for revenues producing purposes.

Mr. Lloyd.—You have got to ask the Political Department about that.

President.—In that case these people will make a contribution of two-fifths towards a reduction in the price. I am afraid we cannot get over the difficulty: we can only say how best this could be met. As regards Khewra there are the same points again as regards the valuation of the assets. There the position is a little worse. I have asked them for a list. There is a lot of property there which is not really useful—the big tunnel they have got, for instance—that is not an earning asset at all; it was not an earning asset when you commercialised your accounts.

Mr. Lloyd.—Take the analogy of a coalmine. You wouldn't expect a disused tunnel to be entered into its assets?

President.—That is it. But this has been done in the case of Khewra. I saw two boilers standing—and these were included—which were absolutely scrap. They were lying on the ground doing nothing and their values are put down as Rs. 10,000. You have got a lot of dead assets in your block and I have asked the works manager there to give me a list of those assets which are dead and he is preparing the list and I do not know what the effect of that might be.

Mr. Lloyd.—A commercial concern would write it off.

President.—Yes and so you should write it off. When you have commercialised your accounts, when an asset has no earning value you must write it off.

Mr. Lloyd.—Your point is that when we have commercialised our accounts we should write off the dead assets out of profits. But we have not made any profits; we are selling at the cost price.

President.—As I said, when you have commercialised the business and when an asset has no earning value.

Mr. Lloyd.—Your suggestion is that as a commercialised concern we should have a provision for writing off the value of the wasting assets in addition to the depreciation and interest? Certainly that is a matter for consideration.

President.—As I was telling you this tunnel for instance should have gone out of your block and you should have scrapped it from the depreciation fund, but you still carry it on, and I don't know how far these assets are inflated. You cannot saddle this new enterprise with the losses incurred before this point.

Mr. Lloyd.—It is a very intricate problem.

President.—It is the accepted principle that you should not try to recover past losses from new works. You have also got this electric plant. It is an

up-to-date plant, but it does not balance, that is to say somehow Government did not want to spend any more money after having equipped the mines with this electric plant. You have not got other appliances where you can use this electricity.

Mr. Lloyd.—We are going to introduce electric traction.

President.—And electric drills?

Mr. Lloyd.—We asked for the electric traction scheme this year and it has been put back. A good many items of expenditure have been put back this year as you will see from the report of the Standing Finance Committee.

President.—I may tell you that we have more or less come to the conclusion that this class of salt can and ought to be manufactured in India. We will give you the reasons for it. We are discussing the question of railway freights with the railways. Subject to that, supposing Khewra was one of the places where this salt could be produced.

Mr. Lloyd.—Khewra is the most obvious place, because that place is immediately ready for expansion.

President.—Government have to put in more money, because really, as I said, the plant is not properly balanced, that is to say the electric power is much more than you are using at present. Then there is not much mechanisation of the mines. They are not properly mechanised.

Mr. Lloyd.—No.

President.—The principal mechanisation consists of railway traction. Most of the work is done by hand.

Mr. Tottenham.—We propose to electrify the traction.

Mr. Lloyd.—It is a question of getting the money.

President.—Now the Whitley Commission is sitting. I do not know what they may do. We discussed this question with the General Manager. He considered that one of the objections would be the displacement of this labour if he used mechanical appliances. I do not know what view Government might take, but we certainly do not consider that as a ground for using obsolete methods.

Mr. Lloyd.—This is not the only place where that difficulty has faced us.

Mr. Mathias.—I understood from the Manager at Khewra that it is rather a peculiar problem. The actual miner refuses to undertake any other work except in the mine.

Mr. Lloyd.—That is what we have always understood to be the position. We have been trying to get them some agricultural land.

President.—If you were to go on like that, you could never use any mechanical appliances.

Mr. Lloyd.—If that is to be done, if the interests of the miners are to be considered, it should be done in some other way and not by producing salt by uneconomic methods.

President.—That is my view. As you know, the methods in salt mining would be similar to those in coal mining, recovering and handling and so on.

Mr. Lloyd.—Yes.

President.—Your Manager didn't have any exact estimate. He thought that the production cost would be reduced by about half.

Mr. Lloyd.—I don't know about that.

President.—If you used mechanical methods.

Mr. Lloyd.—He means only the manufacturing costs. It would not reduce the total cost of salt to the same extent.

President.—If the output was doubled, the incidence of the depreciation would be very much less.

Mr. Lloyd.—Yes, if the output was doubled.

President.—That is the idea. If the output is doubled, you bring down all your overhead and at the same time you bring down your raising cost and

the two together will make a substantial difference in the total cost, but whether the Government would be prepared to do it or not we cannot say.

Mr. Lloyd.—I am afraid we can't say either.

Mr. Tottenham.—We propose to introduce electric transport and electric drills.

President.—You may have seen some of the coal mines. What they do is this: they take one gallery and work it off. They take the track and put it in a particular part of the mine. When that is worked off, they go on to something else and the same thing is done with the result that you eliminate manual handlings as far as possible by having the whole thing done mechanically. What they are now doing is that they are working in 40 different places and the result is that from each place they have got to work by hand and carry the salt on their heads to the railway line: if you wish to put Khewra salt into these markets, you have got to increase your output and you have got to use these mechanical appliances.

Mr. Tottenham.—Another difficulty about Khewra is that you cannot remove the pillars.

President.—The question has not yet arisen. I have asked for a rough estimate from the Geological Survey and they have promised to give it to me. What I want is not what is actually contained in the salt mines, but whether the geologist can guarantee say 4 million or 5 million tons, that is to say such quantity as would last the life time of the machinery that may be put up. Then you scrap it. Supposing we want ¼ million tons a year, if there are 4 million or 5 million tons in it, then in 16 or 20 years time the mine is exhausted. Therefore you will calculate your outturn on that footing. At the end of 16 or 20 years your machinery is scrapped and your mine is finished. It is only on that footing you can do it. If they were to give us a complete survey, it would take a long time. This is what we have asked for and I hope you would be able to think over it and see whether you would have any real objection on the money being spent on this undertaking. That is the immediate source that we can think of at present.

Mr. Lloyd.—As regards the spending of money, we can say nothing. It is the Finance Department of the Government of India that has got to decide.

President.—It would not be a very large sum.

Mr. Mathias.—That is where your commercial management is rather impeded.

Mr. Lloyd.—Yes, if Government handed it over to some semi-public body, the question would solve itself.

President.—(Showing sample of Khewra salt crushed in a mortar.) We had no machinery. We just wanted to see what the salt would look like. We ground it in the ordinary way and we found it all right.

Mr. Lloyd.—It has always been our belief but for the railway freights that we could produce much the same salt as Bengal purchases in Khewra.

President.—We have asked people here and they say that they would take it even in preference to Hamburg salt. (Samples shown).

Mr. Lloyd.—We have not looked outside the known markets which prefer the Sambhar salt.

President.—Railways must take a more reasonable view of the thing. What I was suggesting to you was that they have got to experiment with crushing.

Mr. Lloyd.—Once it becomes a practical proposition, we have no objection whatever to do it.

President.—The Works Manager thought that he might have a small crushing plant for 5,000 tons. I thought that if we put it to the Central Board of Revenue, he might be able to get it.

Mr. Lloyd.—We would be willing to put it to the Government of India.

President.—He has got to make experiments to see in what way it ought to be crushed. It may require some heating.

Mr. Lloyd.—Do you want us to make the experiment before you report?

President.—I should think in any case it would be a good thing to do it.

Mr. Lloyd.—Might I suggest that you should write an official letter asking us to do it?

President.—Yes. They might put that salt in the market and see . . .

Mr. Lloyd.—I cannot make any promise what the Government of India will do, but we won't resist it. It is very interesting. On the existing conditions we could see no opportunity for marketing.

Mr. Mathias.—What about the troops in the Punjab?

Mr. Lloyd.—They are supplied with salt refined in a works in Lahore from the dust salt produced at Khewra.

Mr. Mathias.—They are really using Khewra salt already.

Mr. Lloyd.—Very largely. I don't know what the proportion would be.

Dr. Matthai.—About 3 per cent. of the Khewra output is dust.

Mr. Lloyd.—I don't know. But I am only saying that the consumption of Khewra salt by the troops is a large one.

President.—If we get the correct figures from the Works Manager, we should make a revaluation of the plant on which you ought to depreciate. You will agree on this point that if it is shown that an asset is a dead asset, it should no longer be kept in the books.

Mr. Lloyd.—All I can say is that we cannot commit the Government of India. It is a problem which is worth examining.

Mr. Mathias.—I suppose you could not persuade the railways to interest themselves in this experiment to the extent of giving you a concession while you were experimenting.

Mr. Lloyd.—We might try this another way. I think it will be better to approach the railways with the suggestion that even if they could not reduce freights in general terms, they should have special freights at least for the crushed salt.

President.—What we should ask for is for a special station to station rate.

Mr. Lloyd.—They might say why should they? There is already Khewra salt going into Calcutta. They might say 'why should we reduce on that'? If we asked them to reduce the freight on crushed salt, it might be possible.

President.—We are examining the railways this week and we will put it to them.

Mr. Lloyd.—You could make it clear that it is an *ad hoc* proposal.

Dr. Matthai.—At present Khewra salt is going into Bihar and Orissa.

Mr. Tottenham.—There is some in Bihar. Consumption in Bihar is higher than the consumption in the United Provinces.

President.—Point No. (6): *Powers of local management at Government works particularly at Sambhar and Khewra:* I take it that the local management have to take orders on most matters.

Mr. Tottenham.—The whole list of the things delegated to the local management is in the Manual.

President.—The difficulty is that as regards manufacture, as well as marketing, the local management have practically no powers. I mean they are tied down by the rules that you have made.

Mr. Lloyd.—They are tied down by the budget provision.

President.—Take the case of these stocks at Sambhar for instance. I understood—I do not know by whom whether it was the Auditor General or the Public Accounts Committee, it was said that the stocks at Sambhar were too high in 1927.

Mr. Lloyd.—I don't remember. We ourselves were apprehensive that the stocks might be high.

Mr. Mathias.—The local Auditor might have started it.

Mr. Lloyd.—We admit the responsibility for that.

President.—There is an end of that. That is a point where the marketing organisation comes in. It should say what stocks you should have.

Mr. Lloyd.—On the other hand the marketing organisation might make mistakes just as we have made.

President.—That of course is possible, but in a thing like that I should have thought when there was no marketing organisation the local management ought to be in charge of it.

Mr. Tottenham.—That is just the sort of thing that I should have thought should be centralised.

President.—So far as I am concerned, supposing I was the owner of the business, I would not leave it to the local management. I would have it in my hand. It is neither the one nor the other in this case.

Mr. Lloyd.—If there was a semi public body in charge of these concerns, it is undoubtedly a matter that should be centralised. We are the nearest approach to the Central Office in that respect. I am not very enthusiastic about delegating more powers.

President.—A Government body could not do it. Even if the local management took a different view, it has to appeal to you. Probably you have to go to the Government of India and take their orders. In the meanwhile, things might get worse. You know what happened in Sambhar. I can quite see that you cannot delegate any more authority to the local management.

Mr. Tottenham.—This is not a question on which immediate decisions are required. They cannot suddenly start making an enormous amount of salt.

President.—That may be as regards production. But as regards sales, immediate action has to be taken.

Mr. Lloyd.—That is a different story.

President.—If you don't give powers to the local management to regulate sales, how can they deal with the market?

Mr. Lloyd.—We did leave it to the local management until about 18 months ago—I am speaking of the sales and not production. It was only when we were short of stocks and we had to devise the best way of handling the situation that we started dictating or controlling the policy.

President.—You know that the indents went up to 90 lakhs of maunds.

Mr. Lloyd.—Yes, that was the fact I was speaking of. Before that it was only a matter of supplying the demand and we left it to the local management.

Mr. Mathias.—When there is no shortage, there is really nothing for the management to do. They simply sell the salt that is in stock.

Mr. Tottenham.—Yes.

Mr. Lloyd.—All that is necessary is to make proper arrangements for wagons.

Mr. Mathias.—There is no decision required.

Mr. Tottenham.—No.

Mr. Lloyd.—It was only when the matters came to a crisis that we took up the control.

Mr. Mathias.—They could not increase the supply.

Mr. Lloyd.—They could not.

Mr. Mathias.—You could not do it; nor could they, but a private organisation might have done it.

Mr. Lloyd.—The private organisation would be in the same position as we are, but they might look to some other sources of supply.

President.—Obviously Government must have more stringent rules than a private organisation.

Mr. Lloyd.—That is perfectly true

President.—You could not give them more discretion.

Mr. Lloyd.—There is always a tendency that way.

President.—As regards quality, we will take the Calcutta market. We have gone into a lot of evidence as regards this question of quality. The impression that we have so far formed is this that though in the market they say there are all these qualities—Aden, Port Said, Karachi and so on—really speaking as regards the crushed salt, there are only two kinds, *viz.*, Liverpool and the superior quality of Hamburg salt and the rest are more or less the same. The consumer will take one or the other.

Mr. Lloyd.—Yes, that is reflected in the local trade practice of quoting "Liverpool" and "Other" salts.

President.—The point is this. Up to now they have been imported from these different countries by different importers. It is to their interest to get a special price for each salt but the price really does not represent the difference in quality. I mean to the ordinary consumer there is no difference.

Mr. Lloyd.—Quite so.

President.—The Aden crushed salt is inferior to the other salt coming from Spain and other places but the difference is so slight that it need not be taken into account.

Mr. Lloyd.—Your conclusion bears out the rough and ready conclusion that I should come to.

President.—It is an artificial difference created by the importers.

Mr. Lloyd.—From my experience of the Customs Department I can say that in Calcutta or Rangoon some salt is more hygroscopic than others.

President.—We have examined them.

Mr. Lloyd.—But you have not examined them in the monsoon.

President.—That is true.

Mr. Lloyd.—That is one difficulty.

President.—So far as the crushed salt is concerned, the quality can be standardised, that is to say, we don't want the distinction between Aden, Port Said and so on. It will be Grade I or Grade II.

Mr. Lloyd.—For crushed salt, you will have two qualities?

President.—Yes. If this marketing organisation or Government itself takes it over, it will get the salt and sell it as such, but I am not quite sure about Sambhar and Khewra. Khewra crushed salt would come in as any other European quality except Liverpool. Liverpool of course stands by itself.

Mr. Lloyd.—Perhaps Khewra salt would come in as second quality.

President.—We have now instructed the Alipore Test House to grade the salts according to the analysis and the colour. We propose to prescribe a colour test as well as a chemical test.

Mr. Lloyd.—I think that the colour test is more important than the chemical test. I have never heard of the consumer worrying about the chemical test. It is only the colour test that is important.

Dr. Matthai.—Does he not bother about the fineness?

Mr. Lloyd.—Yes, and also about the colour.

Mr. Mathias.—Have you any medical evidence as to the effect of the inferior salt being injurious to health?

Mr. Lloyd.—We have never heard of any suggestion to that effect. As a matter of fact, when we had those statements showing the analysis of various qualities of salt—which we passed on to you—we found that most of the other ingredients were magnesium salts which could not do harm. We also noticed calcium sulphate in some of the results and I at once wrote to the Public Health Commissioner and asked him, if there was such a percent-

age of calcium sulphate, whether it would cause any injury to health. He said that with the small amount of the salt used it was so trifling that it could not possibly do any harm.

President.—That is all right. We are actually taking the stuff that is being sold in the market and our specification would be based on that. After taking all the samples, we say ' This is the average sample which has to be imported and sold '. The price will be fixed by the organisation on the principles laid down. So far as the crushed salt is concerned, the position is not very difficult.

Mr. Lloyd.—No.

President.—But as regards the uncrushed salt I am not very clear in my mind. Take Sambhar for instance. The effect of the evidence on my mind is this. They say that about 20 per cent. of the salt produced in Sambhar is big grained salt. Of the 20 per cent. only a certain percentage is big grained salt so that in actual practice it comes to a very small percentage—I mean the big grained salt.

Mr. Lloyd.—Quite.

President.—There is no doubt that some people do pay a little higher price for these bigger crystals but the Government does not get it.

Mr. Lloyd.—No, that is true.

President.—Supposing part of the Sambhar salt was crushed, you would require very small grained salt for that purpose which they now throw away because the bazar is not willing to take it.

Mr. Lloyd.—Yes.

President.—The thing to do would be to screen the salt and say that Government should get a better price for the article which fetches a better price in the market.

Mr. Lloyd.—The prices will have to be so adjusted that the combined result will not exceed the cost of production.

President.—Yes.

Mr. Lloyd.—That could be done.

President.—Screening is a very simple process.

Mr. Lloyd.—I have no idea how much it would cost in labour.

President.—There are certain quantities which are unsaleable in Sambhar which can be taken to these markets and sold. In that way you can charge a little more for the big grained salt and a little less for the smaller grained salt.

Mr. Lloyd.—Yes.

President.—Do you think that there would be any objections to Government doing it from the point of view of the general policy?

Mr. Lloyd.—I don't see any objection to it provided it was done in a manner which actually corresponded to the difference in price and not in such a way as to put up the price of the big grained salt unduly high.

President.—The whole point is this. The man who wants the big grained salt has got a fad and must pay for it. He must be made to pay for his fad.

Mr. Tottenham.—He won't buy it then.

President.—Until the limit is reached when he won't buy it.

Mr. Lloyd.—I can't see any objection unless there are practical difficulties. In principle I see no objection.

President.—As regards Khewra so far as the big blocks are concerned, no question would arise.

Mr. Lloyd.—In its own markets they like these blocks.

Mr. Mathias.—Do you have a large quantity of dust salt which you cannot sell?

Mr. Lloyd.—Some of it is sent to Lahore.

Mr. Mathias.—That could be ground and put on the market.

Mr. Tottenham.—We are considering that. A firm in Lahore is already making table salt out of the dust salt and supplying it to the Army.

Mr. Mathias.—Do they boil it?

Mr. Tottenham.—Yes. That is my impression.

President.—As regards the stabilisation of production, we examined your local management on that point. They think that it would not be safe to take more than an average production of 70 lakhs of maunds for Sambhar. They are quite definite about it.

Mr. Lloyd.—If that is the case there is nothing to spare.

Dr. Matthai.—60 lakhs is the present consumption and 10 lakhs is the reserve?

Mr. Lloyd.—The present consumption is more than 60 lakhs.

President.—I am not able to express any opinion but that is what they say. They were quite definite about it, that it is 70 lakhs maunds that they can produce. The result that struck me was this, that if that is all that you are going to do, then as your previous average of 25 years was 50 lakhs, for the additional expenditure you have got only about 20 lakhs.

Mr. Lloyd.—The idea was not so much to increase the average as to stabilise the production.

Mr. Tottenham.—The minimum production at Sambhar was 12 lakhs in one year.

President.—That was because the rains failed. It has twice failed. It was for that reason that I was discussing this thing this morning.

Mr. Lloyd.—Naturally if there is a complete failure of rains then reservoirs can do no good at all but the point of the scheme was that if there was a small rainfall the Bunting scheme would make the position very much better than it was.

President.—The position is this. Formerly you were getting 50 lakhs on an average. Now your expert says you can get 70 lakhs maunds.

Mr. Lloyd.—But so far as we have always understood the point was not so much to increase the average production as to avoid the wildest fluctuations.

President.—What I am now suggesting is this. If you were to accept your expert's views you have very nearly reached the limit; you have got to build up your stocks and you have got to provide not for a rainy but a rainless day, and therefore you must think of some other source.

Mr. Lloyd.—We are thinking very hard at the moment.

President.—We therefore paid a visit to Pachbadra.

Mr. Lloyd.—We are at the moment producing all we can at Pachbadra.

President.—My suggestion is rather this: I daresay you know Pachbadra; it is a very old place for salt manufacture but production has been erratic.

Mr. Lloyd.—That is true.

President.—One year you wanted 3 lakhs and another year 5 lakhs. That is rather hard on those people who have to produce the salt. Secondly we do not know how much Pachbadra can produce because really it has not been tried on any improved methods. We had some discussion with the Jodhpur Darbar and the representative was quite confident that the production could be improved. These kharwals claim that they can produce 50 lakhs though the State thinks that the production can be increased to 100 lakhs.

Mr. Lloyd.—What did the Northern India Salt people say?

President.—They said 15 lakhs or so. Of course they go by the pits that are actually working. But the whole idea is that if you work the pits as they are, they are so placed that you would not be able to handle the salt or get out most of it and therefore, if Pachbadra is to be developed, it must be developed as a whole. What I wish to know is, if Government are not

prepared to do it would they have any objection to the Jodhpur Darbar doing it?

Mr. Lloyd.—That is a question we cannot answer.

President.—The whole point is that the difficulty of transport there is very great because the pits are scattered and there is no internal railway communication there. They have got to take this salt from heaps to the railway line which is very distant. The idea therefore is that if one authority works it the pits must be relaid with lines of communication—more or less the same sort of thing as you have in Sambhar but on a much smaller scale. If you accept your expert's views that Sambhar can produce only 70 lakhs maunds it is time that Government looked for another source.

Mr. Lloyd.—It has produced 12 lakhs maunds.

President.—That is by primitive methods. As I say the means of transport at Pachbadra are very inadequate and those you cannot improve unless you take a reasonable quantity for a definite period.

Mr. Lloyd.—Your suggestion is that there should be a certain amount of guarantee to Pachbadra.

President.—Say 20 lakhs.

Mr. Lloyd.—And the fluctuations if any can go in the off-take at Sambhar?

President.—Sambhar you can regulate. Supposing your maximum capacity in Sambhar is 70 lakhs you can produce 50 and take the rest from Pachbadra.

Mr. Lloyd.—Of course it was the cost at Pachbadra that showed in its most glaring form the need for our new method of fixing prices by groups of sources.

President.—Pachbadra has this advantage that it has no heavy overhead charges; it has got no fluctuating royalty. You only share the profits with the Jodhpur State. The State is willing to give freight facilities. It has done so already. Therefore it is a source which is worth tapping and keeping the reserves more or less dependent on Sambhar. We have evidence that Pachbadra salt can be sold better than Sambhar salt where the two have a market.

Mr. Lloyd.—You want the prices to be so adjusted as to compensate the freight disadvantage. The lead from Pachbadra to Sambhar . . . .

President.—There is only a difference of 9 pies per maund but the cost of salt there is less than at Sambhar and therefore the question of freight disadvantage may not arise at all.

Mr. Lloyd.—We take the freight advantage into account in fixing relative prices.

President.—They are now equalised so to say.

Mr. Lloyd.—As to the method which should be followed to develop Pachbadra, whether the Jodhpur Darbar . . . .

President.—The whole point is, the Jodhpur Darbar or whoever does it, it is a source which has been handed over to you.

Mr. Lloyd.—We shall be exceedingly glad to see Pachbadra extended.

Dr. Matthai.—The present position of Government with regard to Pachbadra is that it is a reserve source.

Mr. Lloyd.—At one time the Northern India Salt department thought of abandoning it.

President.—It was rather unfortunate. We of course paid a short visit to Pachbadra but from what we could see it appeared to us that if Pachbadra was properly laid out . . . . .

Mr. Lloyd.—We are not in a position to say anything about that.

President.—That is what really requires looking into.

Dr. Matthai.—If means of communication were constructed.

Mr. Mathias.—It is only a question of railway sidings along the pits.

Mr. Lloyd.—I see.

President.—In this enquiry we are not immediately concerned with this but we thought we would like to draw your attention to this that it was time that Government did look for another source unless after taking expert advice you found that Sambhar could produce more.

Mr. Lloyd.—We should certainly be glad to look into the possibilities of Pachbadra.

President.—Now as regards this speculation in Sambhar, there is no question that speculation is there and unless you can increase your stock and flood the market it will continue. But I don't know whether you have thought of one thing, namely that this speculation is made easier by the fact that these indents are transferable, that is to say a man buys 10,000 wagons of salt; he sits on the 10,000 wagons if the market is not so favourable as he thinks it ought to be and these 10,000 wagons are sold and resold and so on and really speaking they are not released for a long time. There is an element of speculation in that. If you don't allow this transfer of indents and if you insist upon delivering the salt at destination every time without the purchaser having the right to change the destination, it is quite possible that you may be able to stop a good deal of speculation. Take the Oil companies for instance. They will not allow that. You have got to show that you want such and such a quantity for such and such a place and you have got to take delivery there. If you did that for Sambhar two things would happen, firstly the buyer cannot speculate at Sambhar as he is doing now and secondly you will be in more direct touch with the market; you will know where the salt goes and how much is required. Is there any difficulty in doing that as far as Sambhar is concerned?

Mr. Tottenham.—I don't know of any particular difficulty, except that I should have thought that it would be rather difficult to control the destination.

Mr. Lloyd.—There will probably be a good deal of humbug.

Mr. Tottenham.—The question is how far you can trust the staff of the railways.

President.—The railways should have no objection to carry out Government instructions.

Mr. Lloyd.—There is considerable force in the point.

Mr. Mathias.—Would you consider that in normal times on the whole speculation might be a good thing?

Mr. Lloyd.—It is rather a large issue on which to ask us for our views.

President.—Salt is not a commodity in which we want speculation, at least to any large extent.

Mr. Lloyd.—I don't know of any commodity in which there is no speculation. We don't mind speculation so long as it does not affect the retail price.

President.—There is no such thing as a retail price varying from time to time. They were fixed God knows when and they seem to continue whatever the wholesale prices might be.

Mr. Lloyd.—I wish we could believe that!

President.—It is quite obvious that a man who sells in the district finds the variations in the Calcutta market so great that he will keep himself more or less on the safe side by keeping his prices on the high side so that he does not lose owing to these constant variations.

Mr. Lloyd.—So long as it does not affect the retail price it does not matter very much.

President.—But eventually it must.

Mr. Lloyd.—Isn't it the characteristic of a speculative market that stabilisation at a higher level will not last for a long time?

President.—It is not the high or the low level; it is the variations with which we are concerned. So long as there are these constant variations you cannot stabilise the retail prices at a lower level.

Mr. Mathias.—Would you consider in normal times, not taking the present time of shortage at Sambhar, that such speculation as there is in Sambhar has a very adverse effect on the final price to the consumer?

Mr. Lloyd.—I think not.

Mr. Mathias.—In normal times would you consider that the main essential is plenty of salt with free competition?

Mr. Lloyd.—That is our slogan.

Mr. Mathias.—We have evidence that the frequent changes in the *ex*-gola price in Calcutta are not reflected in the prices charged to the consumers. The *ex*-gola price is nearly half of what it was three years ago, but only about half that reduction is reflected in the Calcutta wholesale price.

Mr. Lloyd.—That is the process of rectifying the period of artificial fluctuations in trade.

Mr. Tottenham.—The coal strike upset the whole thing.

President.—That was a long time ago.

Mr. Lloyd.—It was in 1926. Since then it never really settled down.

President.—The variations have been tremendous.

Mr. Mathias.—That was admitted as a matter of fact by the Salt Association. They said that they manipulated the price so as to prevent any cargo from new sources coming in. That was one of the objects of the Association.

Mr. Lloyd.—That is rather different in character from the normal speculation that takes place in Sambhar.

President.—The Conference has been broken up entirely.

Mr. Lloyd.—Has it?

President.—Yes, last week. Now there are two other sources. One is the Darwari deposits in Sind. I daresay you have read about it.

Mr. Lloyd.—Yes.

President.—We have asked for a sort of approximate estimate of the quantity available and the Geological Department have promised an estimate to us. That is supposed to be the purest salt that you can find naturally.

Mr. Lloyd.—It is a matter of small importance to our present organisation.

President.—Yes, but it is a good source if it turns out what it is said to be.

Mr. Lloyd.—I don't mean to suggest the contrary for one moment. It is a matter of very minor importance to our present arrangements because of the absence of any accessible market.

Mr. Tottenham.—The population of Sind is very small.

Mr. Mathias.—When the irrigation works come into existence, it would affect your market.

Mr. Lloyd.—It should increase the population and affect the market. The salt contains 99·3 per cent. sodium chloride, but the transport difficulty is acute.

President.—If it is a fairly big source, then it is a matter of only 20 miles to the railway.

Mr. Lloyd.—I am thinking not merely of getting it to the railway but of getting it to the market.

Mr. Mathias.—It would go *viâ* Karachi.

Mr. Lloyd.—Transport charges would be double.

President.—What I wish to know is that there are no rights created in this.

Mr. Tottenham.—I don't think so.

Mr. Lloyd.—I have not heard of any.

President.—It is purely a Government property.

Mr. Lloyd.—I think so.

President.—It is a source which ought to be kept.

Mr. Lloyd.—It ought to be kept.

President.—It is a source which really requires further examination and Government should not part with it.

Mr. Lloyd.—Yes, we will certainly bear that in mind.

Mr. Tottenham.—In 1924 I think the Jodhpur Railway wanted to make a branch railway to Darwari?

President.—They would be willing to do it. It must be taken in conjunction with the whole scheme. It should not be dealt with by itself.

Mr. Lloyd.—Yes.



THE CENTRAL BOARD OF REVENUE.

(Continued on the 21st January 1930.)

President.—I should like to go back to the question of compensation to the States. First of all it is very doubtful whether the Government ought to charge this fixed sum of Rs. 3 lakhs.

Mr. Lloyd.—To the cost of production you mean.

President.—Yes. My reason is that Sambhar is not on the same footing as the other Government property. For instance they don't charge any royalty or anything in most places. Government properties are merely handed over to private parties.

Mr. Tottenham.—Sambhar is only leased.

President.—Practically it is Government property unless they wish to give it up. What I suggest is that Government property was purchased not merely to make salt, but for various other reasons. Government do not charge any royalty. Take Khewra for instance.

Mr. Lloyd.—There it is wholly Government property.

President.—Instead of buying the whole property after paying a lump sum, you pay a rent. It is the same thing in principle. It doesn't make any difference.

Mr. Tottenham.—In the case of Khewra we didn't have to buy. In the case of Sambhar we did have to pay a royalty.

President.—What I am trying to explain to you is this: some of the other properties you got for nothing and some you got in other ways for which you don't charge anything. Take Karachi, you don't contemplate charging anything. It is the same thing in the case of Kharaghoda.

Mr. Tottenham.—Yes.

President.—As a matter of principle Sambhar is not on the same footing as other properties belonging to Government.

Mr. Lloyd.—I think the distinction remains. As my colleague mentioned it happens that the other sources were at one time or other developed and nothing had to be paid for them in the first instance. But let us suppose that Government suddenly decided to acquire the salt works in the Bombay Presidency, even if we bought them outright, surely some interest charges and so on would be a fair charge on the cost of production.

President.—It depends on how Government look upon it. So far as salt is concerned, Government have not charged anything to other people.

Mr. Lloyd.—In all cases except this we have not had to incur expenditure.

President.—I am not at all satisfied that this expenditure is a legitimate charge on production.

Mr. Tottenham.—We analyse these charges to the best of our ability.

Mr. Lloyd.—We may re-examine the question.

President.—I am suggesting that it might be re-examined. I will tell you why.

Mr. Lloyd.—Yes.

President.—Supposing you want to stabilise production in that area for the whole of the works, the figures don't suggest that there is any margin left at all as regards Sambhar.

Mr. Lloyd.—No.

President.—Your sales so far outstrip the production and therefore if you were to go on like that, you must have some margin. If you expand Sambhar you would be getting more expensive salt where you have to pay 2/5th of the price as royalty and therefore you must develop a cheaper

source. It means that you have got to reduce your production of Sambhar, say, 50 lakhs of maunds which, without failure, you may get. When you reduce it to 50 lakhs of maunds, what would happen is that these Rs. 3 lakhs would be spread over 50 lakhs. That would increase the cost per unit, but you will get your 17 lakhs of maunds free out of the 50 lakhs. It might reduce the price of the 17 lakhs considerably. If you still have got to pay Rs. 3 lakhs to the Government on 50 lakhs, you cannot do this. In the other case you will give Rs. 3 lakhs, but you will make the Jodhpur Durbar contribute.

Mr. Lloyd.—I do not know whether you have overlooked the new policy which we discussed yesterday and that is to take all the Government works in Northern India and group them and then spread the Rs. 3 lakhs over the total production of all the sources.

President.—If you put the three lakhs of rupees on the whole lot, then it may be all right.

Mr. Lloyd.—That is what we intend to do.

President.—What you have done is you have increased the cost of Sambhar, but not in proportion to the cost at the other places.

Mr. Lloyd.—It is not convenient at the moment to extend the market for Sambhar salt.

President.—If you were doing that, then it is all right. It goes out of this and then it spreads over a much bigger production.

Mr. Lloyd.—I think in effect the operation of the policy that I have described means that we are doing that, although at the moment in pursuance of that policy we have not been able to reduce the price of Sambhar salt. That I see now is an excellent reason for adhering to our new policy. It gives us the right to spread that Rs. 3 lakhs over the production of all the sources.

President.—Then there is one other adjustment which I would like to consider and I would like to put to you. As regards 17 lakhs of maunds free, with that you ought to be able to do as you like outside Sambhar. The royalty is only payable on 33 lakhs of maunds. 17 lakhs of maunds is really free which gives you more scope for the adjustment of prices.

Mr. Lloyd.—We shall have to take the orders of the Government on such a proposition.

Dr. Matthai.—In effect it is the same thing.

President.—Supposing we propose that, we have to take the line of least resistance both from the Government point of view and the consumer in the United Provinces.

Point (14): I wish to suggest one thing. We should like to make it possible for somebody to produce salt in the vicinity of the market and we feel that the investigations that have gone so far have been more or less based on the existing system of manufacture, that is to say Bombay and Madras chiefly and we have got some evidence which suggests that if the practice was altered, it might be possible to manufacture salt say south of Chilka lake. That is really what we want. If it could be manufactured in proximity to the market, it would be better.

Mr. Lloyd.—When you say that, you are fully aware of the natural disadvantages.

President.—Natural disadvantages have been exaggerated in our opinion and the modern processes of manufacture have not sufficiently been taken into account. We are not going to say 'go and manufacture salt immediately', but we want to leave it open for anybody to undertake manufacture.

Mr. Tottenham.—It is now open. Anybody who likes to take it up can do so.

President.—But you have not offered them sufficient inducement.

Mr. Lloyd.—Inducement in the sense of bounties we haven't got the authority to offer.

President.—That aspect of the matter we may not be able to deal with in our report fully. The way we propose to work it is this: I have told you just now that the average freight comes to about As. 8. I mean the sea freight. In any scheme that we propose for Karachi, we give them a certain amount of return on capital and so on. That is the fair selling price. Supposing salt can be manufactured on the East Coast and if anybody wants to take the chance of doing so, supposing it is within 400 miles of Calcutta and according to the rates of the Bengal Nagpur Railway actually recently quoted the freight is reduced to As. 5 to the Calcutta market a man there would have an advantage of As. 3 and in addition any profit that he might make if his costs were the same as in Karachi and the market was guaranteed to him, then it would become possible and it would cost nothing to the Government or to the State except that it has guaranteed this.

Mr. Lloyd.—What exactly does it guarantee?

President.—It guarantees what we consider a fair selling price calculated in Karachi *plus* the difference in freight.

Mr. Lloyd.—It is not so much a guarantee.

President.—The guarantee consists in this sense that he gets a market for the quantity that he produces there and he gets a fixed price.

Mr. Lloyd.—It is really the marketing organisation that will give the guarantee.

President.—If you pay him two or three annas extra which you save in the freight, I should be very much surprised if he was unable to manufacture the salt in that area. I do not know, but I should be very much surprised.

Dr. Matthai.—There was an investigation in the Chilka Lake area in 1911.

Mr. Tottenham.—Yes, by Messrs. Kilburn & Co.

Dr. Matthai.—They considered the technical aspect and thought that the scheme was workable, but they did not consider the financial aspect.

Mr. Lloyd.—The financial aspect is a vital one. They have to work on a much weaker brine there.

President.—Since then, freights have come down.

Mr. Lloyd.—Yes, the railway freights have come down.

President.—Coal also has become very much cheaper. We have more experience now and more facts to go upon. The question may therefore be re-examined.

Dr. Matthai.—I think that in 1918 Messrs. Kilburn & Co. thought that it might be worth while looking into it again.

Mr. Lloyd.—Our policy is not to stand in anybody's way.

President.—You will find in this examination and throughout the proceedings that we put questions in such a way that you might think that they are our expressions of opinion, but I should like to tell you that they are not.

Mr. Lloyd.—I don't think that we misunderstand you in that respect.

President.—As regards the transport facilities in Karachi, I suppose you know the various proposals that have been made by those people in Karachi.

Mr. Lloyd.—They are many.

President.—We have examined them to some extent. This ropeway for instance we shall rule out because it is not really a practicable proposition. It is not economic.

Mr. Lloyd.—From the port's point of view.

President.—Or any other point of view.

Mr. Mathias.—Further, we have no data at all on which to proceed.

President.—The second scheme was the provision of separate facilities for all the salt works. They want separate facilities for (1) Grax Limited, (2) Star Company, (3) Luxmi Works and the Moon Company, and (4) the undeveloped land. The Grax people want the channel to be deepened—a sort of crossway to be constructed which would only give facilities to them. The Star people also want a similar arrangement.

Mr. Lloyd.—Grax Limited and the Star Company could use one pier.

President.—We are not sure whether the Grax people would like that arrangement, but the Port Commissioners are not in favour of it. We have told them "The Port Commissioners are the experts as regards these matters, and we do not want to discuss the question of having other experts. They are the final authority. If the Salt Works have any expert evidence to the contrary, they must fight it out with the Government."

Mr. Lloyd.—You mean an expert on waterways.

President.—Yes. We have declined to go into the question which expert is right and whether it can be done or not when the Port Commissioners say that it is not a good proposition. You have already got a Government jetty there. The Port Commissioners think that it is a practicable proposition to develop that. They would make the jetty bigger and deepen the channel if necessary and the rest of it. We have asked them to prepare an estimate. What we were thinking of doing was that we wanted to treat the whole thing as Government property. Either Government would provide the facilities and charge them something or Government would not charge them anything. We cannot tell until we have got the estimates.

Mr. Lloyd.—Quite.

President.—But the position is this. We have to make an allowance in calculating the fair selling price which may amount to anything between Rs. 1-8 and Rs. 2 a ton which will be added to the fair selling price. Therefore the risk that Government or anybody else runs is only if it exceeds that amount. From what we can see I don't think that it would exceed that amount. Supposing Government decided to charge them something for it, we suggested to all those people that they would be charged a flat rate regardless of the distance.

Mr. Lloyd.—Including the transport from the works to the pier.

President.—Yes.

Mr. Mathias.—Otherwise, the Grax people said that it would not be a profitable proposition.

President.—When I was explaining the scheme Mr. Dinshaw said that his Company was not going to use it. I told him that whether he used it or not he would be in the same position as the others, if the Government decided as owners of the property that this should be done. It is like this. You may not use the municipal service, but you have to pay for it no matter whether you use it or not. When you do it for the whole property every licensee must submit to reasonable conditions. Then, we asked the Port Commissioners whether they would not do the whole thing, that is to say, to provide those flat bottomed barges from the jetty to the steamer. That is the duty of the Port Commissioners. We were told that if they used flat bottomed barges they could unload a good deal more than they would otherwise be able to do. The question will arise as to who is going to find the barges. That is how the position stands. Supposing it exceeded the sum that we fixed as reasonable for transport from the works to the ship, some adjustment might have to be made between the Government and the manufacturers.

Mr. Lloyd.—Yes.

President.—The liability of the Government I don't think is really likely to be heavy. We are rather in favour of giving the whole thing to the Port Commissioners—to lay the lines, to supply the motive power, to build the jetty and to supply them with barges if possible on a guarantee of 45,000 to 50,000 tons.

Mr. Lloyd.—You would estimate the return on an estimated output and the Government would be asked to guarantee the Port Commissioners any loss owing to the estimates going wrong. That is the sort of line on which the Government was thinking of approaching the problem.

President.—The point is that all must be compelled to pay this flat rate whatever you fix irrespective of the fact whether they use it or not.

Mr. Lloyd.—I take it you say that only in respect of the salt that is exported. It would not apply for instance to the salt that is sent by rail.

President.—Quite. We have received a letter from the Port Commissioners in Karachi and they say they have heard nothing about the railway expert.

Mr. Tottenham.—The file is with the Railway Board.

President.—This is what the Port Commissioners say:—"The estimates in connection with the salt enquiry in so far as the Port Trust is concerned are ready, but so far I have heard nothing officially from the Railway Board as regards the appointment of an officer to make the Railway investigations. My estimates and notes will be incomplete without the Railway estimates and submitting them to you might confuse the issue. I propose therefore to wait until the Railway Board appoint an officer and his investigations are complete."

Mr. Lloyd.—Our file is with the Railway Board at the present time. What the reason for the delay is I cannot say.

President.—Unless we know what the Government is prepared to do, it is difficult for us to complete our proposals as regards Karachi.

Mr. Lloyd.—You mean unless Government help you to work out your estimates, it would be difficult for you.

President.—Yes.

Mr. Lloyd.—I quite agree. We will find out what the delay is due to as soon as we go back to Delhi.

President.—Unless Government are able to tell us that they would guarantee any excess . . . .

Mr. Lloyd.—I am quite certain that Government would not take a leap in the dark.

President.—Then, Karachi goes out.

Mr. Mathias.—Shall we have it by the end of February?

Mr. Lloyd.—Yes.

President.—It is a small railway that they are going to build. Anybody can tell you in half an hour what it is going to cost.

Mr. Lloyd.—As soon as we get back to Delhi we will find out what the delay is due to.

President.—The Port Commissioners in Karachi have no railway experience because they use the North Western Railway.

Mr. Lloyd.—Yes.

President.—It should not take much time.

Mr. Lloyd.—We will certainly see the Railway Board as soon as we get back to Delhi and do all that we can to expedite the matter.

President.—We can calculate what it costs but we cannot say whether they will be able to handle the stuff no matter whether the existing facilities are improved or not.

Mr. Lloyd.—We cannot commit the Government to any definite proposal.

President.—I am going away in March. If possible, we want to complete this aspect of the enquiry before that.

Mr. Lloyd.—I should certainly hope that it would be done in good time.

President.—If we get a figure from them which we more or less would be prepared to allow, we should consider ourselves safe from our point of view.

Mr. Lloyd.—You must have that figure.

President.—We have this Aden problem. We don't want to raise any constitutional issue in this enquiry obviously and so far as the constitutional aspect goes we should find it very difficult to differentiate between Aden and the rest of India. That of course would not preclude us from making a differentiation if necessary on other grounds. We can never ignore the geographical position, whatever the constitutional position may be. If we were to allow Aden to supply the salt for all times without making any distinction, the Indian market is only 300,000 tons roughly; that is, assuming that Aden does not want to capture more. If we were to prevent Aden from capturing any more, supposing we made any proposals, logically we could exclude Aden.

Mr. Lloyd.—It sounds like a case for compromise.

President.—That is how we are looking at it. We cannot constitutionally make any distinction, because there is the problem of Burma. We cannot propose two sets of duties.

Dr. Matthai.—Supposing we come to the conclusion that the Indian industry should be protected, can we have one duty on the Indian salt and another duty on Aden salt?

Mr. Lloyd.—I can see no reason why it should not be done.

Dr. Matthai.—Is there anything in the constitution which would make it impossible?

Mr. Lloyd.—I know of no such reason. It is only within comparatively recent years that the duty on salt in different parts of India has been the same.

President.—But you turned down Mr. Strathie's proposal about salt industries in India on the ground that you can't have one duty in India and another in Burma.

Mr. Lloyd.—That is as regards goods imported from foreign countries but I don't see any reason why we can't have different internal duties.

Dr. Matthai.—If you put a duty of Re. 1-4 on Karachi salt and something else on Aden salt would there be any objection?

Mr. Lloyd.—I don't see any constitutional objection in having one rate of duty put on Aden salt and another on salt produced in India. Also international obligations don't come in because this is part of the British Empire.

President.—Aden is a part of British India and therefore can India impose a heavier duty on Aden?

Mr. Lloyd.—You are asking whether the Government of India can do that; to the best of my knowledge there is no reason why they shouldn't.

President.—By law you can do anything. But the question is whether we can ask the Government to adopt something which Government ordinarily does not do.

Mr. Lloyd.—I can see no reason why they shouldn't. If it is possible for them to have different rates of excise duties within India for the same commodity it is possible also to do the same thing as regards Aden.

President.—Aden will have to be treated as a foreign country?

Mr. Lloyd.—Not necessarily.

Dr. Matthai.—Your position is that for that purpose the duty on Aden salt should be excise duty and Aden being part of British India it will be

possible to levy different rates of excise duty on the same commodity as is done in India.

Mr. Lloyd.—It can be done; that is my own idea. It becomes a very difficult proposition if you start talking of duties. Of course the duty on salt in Aden has under the law remained a customs duty. That is accidental and can always be removed. The duty on foreign salt must be customs duty, and you must be very careful about discriminating but you can by a stroke of the pen convert the customs duty on Aden salt into an excise duty. It is merely a question of an alteration in the Act.

President.—The point that I was considering was not whether it could be done by law or not because the law can be altered; the whole point is whether politically or otherwise it would be expedient to raise a question like that, but on that I presume you cannot advise us.

Mr. Lloyd.—That is beyond our sphere.

President.—From the political point of view even if Government had power Government might not think it expedient to accept it.

Mr. Lloyd.—You can take another thing against that. There is this fact: Aden as you know is as a matter of machinery at present treated as a foreign port for customs purposes and if you take a commodity upon which there is no excise duty in India, those commodities when produced in Aden and imported into India are liable to duty although the corresponding commodities produced in India will not pay a duty. I can give you an instance that does exist. Cigarettes are manufactured in Aden and these on reaching British Indian ports in this country are assessed to duty on exactly the same footing as if they were made in foreign countries although cigarettes made in India have no excise duty. It proves the point, that Government has a free hand.

President.—That is a very good illustration. If anything manufactured in Aden could be subject to the same duty as a foreign manufacture even if there is no excise duty on the same commodity produced in India then there is an end of it.

Mr. Lloyd.—That is the position.

Mr. Mathias.—The Aden people claim preferential treatment on the same grounds as the firms in India. One ground they put forward is that they pay income tax. The exporters from Port Said said that their profits on salt exported to India also pay income tax.

Mr. Lloyd.—The agency paid tax on the profits made in India.

Mr. Mathias.—What was contended before us by the importer of Port Said salt was that the Port Said firm paid Indian income tax on the profits on all salt imported.

Mr. Tottenham.—The man here would be taxed as agent of the Port Said Company on its profits accruing or received in British India.

Mr. Mathias.—Take the case of Messrs. Turner Morrison & Co. which gets 2½ per cent. commission on sales: will they be assessed on their 2½ per cent. commission or on anything in excess of this?

Mr. Tottenham.—They would be assessed in their capacity as commission agents on the other people's profits as their agents; and in their own capacity on their 2½ per cent. commission.

Mr. Lloyd.—The Port Said manufacturer would not pay Indian income tax on the same scale as the Aden manufacturer.

Mr. Tottenham.—He would pay only on his Indian profits.

Mr. Mathias.—But if a firm like the Port Said firm were to import entirely to India?

Mr. Tottenham.—In that case it will pay on the whole of its profits; if they were sending salt to other countries they would pay Indian income tax on the profits of their Indian transactions.

President.—We don't want to raise the question in an acute form unless it becomes necessary.

Mr. Lloyd.—To raise which question?

President.—Differentiating between Aden and the rest of India.

Mr. Lloyd.—You will have seen our own report submitted after reading Mr. Strathie's notes. At that stage it did not occur to us that we should not distinguish between Indian salt and Aden salt. The point was brought to notice by the Resolution instituting this enquiry.

President.—The Government resolution is so worded that we do not know what they are thinking about. This is what the Government Resolution says "The Board should take into account the relations between the Government of India and Aden and the conditions of the existing salt industry in the latter place and should make such special recommendations, if any, affecting the treatment of salt produced there as may seem to them to be appropriate."

Mr. Lloyd.—That gives you a free hand.

President.—Yes. Now we have got this thing, that for Customs purposes Aden is considered as foreign territory. The question of excluding Aden would not arise immediately; it would only arise when we find that India can produce all the salt that we require in India, but in the meantime Aden should not be encouraged to expand nor should it be encouraged in the belief that it is entitled to this market for all times, but that it must be prepared to lose it when it suits India. We have got the point just now of its being treated as foreign territory. Now, we have examined the leases and there is the usual clause there that on giving six months notice Government can resume the land and pay them compensation for such works as they may have constructed there.

Dr. Matthai.—Resume it for public purposes.

President.—And the estimate is to be made by the Executive Engineer of Bombay and his decision is final. We have got that and we can tell these people there that so long as India cannot produce all the salt that it wants, they can go on producing at Aden but eventually Government may resume the lands. If the Government resumes the land it can if it likes re-sell the works to somebody who likes to manufacture salt there for other markets than India so that it is not likely that Government will lose all the money.

Mr. Lloyd.—Or re-sell it to the same people.

President.—Sell it to anybody who wants to manufacture salt. Just now a big company has been started in Soudan; it is not very far from Aden; it is on the African coast and therefore you may find a purchaser ready to take over these works at this estimate. But so far as India is concerned Aden is closed out. The point is, if India is going to be self-supporting it must be the Continent of India in which all the salt should be eventually produced. Aden may cease to be a part of British India constitutionally.

Mr. Tottenham.—I should think that it is quite likely that if further Reforms come in Aden may be constitutionally separated from British India.

President.—If it does not cost India any more than to import from Aden India can be made self-supporting and there are good grounds to believe that at some future date, we can't say when, India can be made self-supporting, and therefore we must guard ourselves against any possibility of Aden claiming the whole of the market.

Dr. Matthai.—There is just a small point in your report based on Mr. Strathie's note. You say "there is reason to believe that the price of the Aden salt could be substantially lowered." Was there any kind of specific evidence of Aden cost on which this statement was based?

Mr. Lloyd.—It was based on their profits in 1926-27.

Mr. Mathias.—In 1926-27 price in Calcutta was Rs. 118; they must have made a profit of at least 100 per cent.

Mr. Lloyd.—Mr. Strathie did not go to Aden.

President.—It is not with reference to the costs that they can afford to lower their prices. What are their means of doing it, that is the question. They have made a lot of money; they have lot of reserves and in order to squeeze out the infant industry there is no knowing what they might do to retain the market. Under these conditions it is difficult to say what point the prices might reach. We can say as regards costs that if they were to sell at cost price they could not go below so much, but that is not the limit. Supposing there is a rate war between the Aden manufacturer and the new Indian industry, they might say "we will lose a few lakhs of rupees in order to wipe these people out."

Mr. Lloyd.—Quite right.

President.—The Finance Department would be concerned only if the question of compensation arose in regard to Aden, but the amount involved will not be very large because, as I said, you can re-sell the works to somebody else or these people might want to retain them for some other market.

Mr. Tottenham.—I am pretty certain with reference to what we were discussing just now about the lowering of prices at Aden that we considered what was the fair average price for Aden and thought with reference to that, that even the average price could be lowered.

President.—Prices ruling about that time.

Mr. Lloyd.—We mentioned here that for Aden a fair average price may be taken to be so much in the normal circumstances. What we meant was the average profit and not unusual profits, for example when there was a shortage of freight during the coal strike, the price rose to so much.

Mr. Mathias.—If you look at Mr. Strathie's report on which your own report is based, you will find that he starts off by saying that taking the average price of Aden salt Karachi salt could probably be put on the Calcutta market at somewhere about that price. Then he goes on to say that there is reason to believe that Aden figures could be reduced very much and he gives the reasons and he says that very large profits were made in the year 1926-27. He takes figures for two years. In both those years the price was above Rs. 100.

Mr. Tottenham.—He must have considered what reasonable profits would have been. I was trying to work back from his own report to what he had exactly in his mind.

Mr. Lloyd.—What Mr. Mathias has said is a very fair criticism so far as Calcutta is concerned.

President.—By the way do you propose to treat the memorandum which you wrote for the Finance Member as confidential, the last one we got?

Mr. Lloyd.—It need not be treated as confidential.

President.—We might find it useful.

Mr. Lloyd.—It was written with the idea of circulating it to the Members of the Assembly. So long as it is treated as a memorandum and not as a final opinion of the Government of India, there is no objection to your publishing it.

President.—Yes, I quite understand that. There is one other point. If Aden is treated as a foreign territory for customs purposes, apparently the Indian States are in a better position than Aden, because according to this resolution the Board is required to note that it is also the settled policy of the Government of India to allow salt produced in Indian States and transported to Bengal or Burma by sea admission to the markets in those areas, subject to reasonable safeguards to secure that the revenue accrues to the Government of India and that there is no illicit removal.

Mr. Lloyd.—I don't know whether it can be said that the Government has undertaken to see that the duty would be for all time the same. In

present practice there is one rate of duty for excised or imported salt. All Indian salt is treated in the same way as Aden. There is nothing in the passage that you quote about the rate of duty. The point is that the Government have allowed the admission of the State salt into Burma and Bengal as an exception to agreements under which the Kathiawar States are bound to prohibit the export of salt to British India at all. Our view in recent years has been that that condition must clearly have been directed against the exportation of salt by land to the neighbouring British Indian markets, so that we were not going to enforce that prohibition against salt for other markets. They may export it to Bengal and Burma. I don't think it can be said whatever Government might decide later on they have committed themselves to maintaining the same rate of duty.

Mr. Mathias.—Is there any commodity which does not bear excise duty in India if made in the Indian States?

Mr. Lloyd.—No. The policy of the Government has always been to maintain equality.

Mr. Mathias.—So that there is a distinction between the Indian States and Aden.

Mr. Lloyd.—Undoubtedly.

President.—I think the question arose in connection with the Textiles.

Mr. Lloyd.—We had statutory power to charge on imports from the States a duty equivalent to the excise duty; but the States did in practice put on a corresponding excise duty. Textiles from the States now come in free of duty. If the textiles were made in Aden, they would pay the duty.

President.—Take the case of cement.

Mr. Lloyd.—Even two years ago when, for reasons of which you are well aware, a land customs line was fixed between British India and Kathiawar, the very order that imposed it exempted goods produced in Kathiawar.

President.—As regards the credit system it works rather differently in different parts, that is to say you have got different conditions.

Mr. Lloyd.—I believe there are some differences.

President.—For instance in Calcutta the credit system begins to run from the date the delivery is taken.

Mr. Lloyd.—I am not sure whether the rules say that. My idea of it is that is not the result of the rules, but the result of the practice. A man doesn't open credit until he is just on the point of removing it. But according to the rules the credit will begin to run from the date on which it is opened.

President.—At Sambhar for instance he has got to open the credit when the indent is accepted.

Mr. Lloyd.—As I say the difference is in practice.

President.—As soon as the indent is accepted his credit begins to run. If the delivery is not given for six months, he loses the benefit of the interest for six months.

Mr. Lloyd.—All I say is that that might happen also in Calcutta if the practice had not been for merchants not to open credit until they were ready to take delivery.

President.—Here they take it directly from the stock.

Mr. Lloyd.—Yes, that is what I say. The difference is due to practice.

Mr. Tottenham.—This will interest you. I read from one of our own Notes. "It is clear that in theory at all events a rule under which credit runs from the date of indent is more favourable to the purchaser than a rule under which credit runs from the date of opening the credit, since the opening of a credit must precede the presentation of an indent. The Northern India rule is, therefore, in form more favourable to the merchants than the rules in force elsewhere. If in practice a very long period elapses between the date of indenting and the date of delivery, the blame for this

rests entirely on the merchants themselves who have elected for their own ends to put in indents for quantities largely in excess not only of the amounts that can be delivered within a reasonable period from the stocks existing, but even far in excess of the stocks themselves." That is the present situation.

Mr. Lloyd.—That brings out my point. In other words it confirms if anything that the Northern India rule is more beneficial, but the difference is more due to the difference in practice as regards the opening of credits.

President.—This idea of the credit was to give some facilities to the smaller purchaser to buy the salt.

Mr. Lloyd.—We have frequently tried to find what was the origin of this system in Southern India which goes back many years, but I am afraid we can only guess. Once it was installed in one part of the country, it naturally expanded.

President.—I just want to understand whether it is really essential for your purposes and what is the reason for it.

Mr. Lloyd.—My own view is that it was introduced in places where the duty was very much higher than the cost of production, because it was felt that if the duty paid commodity had to go out on payment of cash, the merchant would be put in difficulties in which he would not be put if there was no duty.

Dr. Matthai.—I think it was simply to facilitate the trade.

Mr. Lloyd.—Yes, in recognition of the fact that the imposition of a duty so many times as high as the normal cost of production created an abnormal situation.

Dr. Matthai.—Yes, in those days.

Mr. Lloyd.—Even now the duty is several times the cost of production which is abnormal.

Dr. Matthai.—Judging from the memorandum, may I take it the opinion of the Central Board of Revenue is that in practice the interest that the Government loses in this way goes entirely to the benefit of the middlemen. It does not reach the consumer. That apparently is the position you take.

Mr. Lloyd.—It is impossible to say what the incidence of the relief is. I don't imagine that it makes very much difference to the consumer.

Mr. Mathias.—One of the objects of the credit system is to ensure the rapid output of salt so as to make it certain that there will be sufficient competition to level up prices.

Mr. Lloyd.—That might have been the original idea.

President.—In the result it is to enable the wealthy speculators to more or less monopolise the salt business. If it goes on like that, you may find that Sambhar will be in the hands of one or two men.

Mr. Lloyd.—It is a question whether it could not have occurred under the cash basis too.

President.—But this is rather different, I think.

Mr. Tottenham.—This is what we say on this subject. "It appears to me that too much attention may have been paid to our unfortunate experiences at Sambhar in the recent past. It appears to me that there is nothing in the credit system in itself to foster speculation or to facilitate cornering. There can be no use in speculation and no danger of cornering so long as there is a sufficient supply of salt. The lesson that we have learnt is that we must in future maintain far larger reserves at Sambhar than was thought necessary in the past. If that is done, we ought to be able to face with equanimity even a more serious natural calamity than that which unfortunately supervened to accentuate the difficulties caused by our already insufficient reserves. The misuse that has undoubtedly been made of the credit system at Sambhar was not due to any defects in the credit system in itself but ultimately to a shortage of salt, actual and

anticipated. I do not think that a situation, partly accidental and partly avoidable, affords sufficient justification for modifying the system."

Dr. Matthai.—Speculation is largely a matter of controlling stocks. That is the essence of speculation. Doesn't that become less expensive with your system of credits? To that extent you save the interest charges.

Mr. Lloyd.—It does become less expensive. Our view is that only in certain conditions such as have been mentioned in the extract just now, is the danger real and that in those conditions even if there was no credit system, it is possible for the capitalist to obtain an undue advantage.

Mr. Mathias.—On the ground that salt is a bulky commodity. If you push out the salt and make delivery, the speculator has large stocks. He cannot store it; he has got to put it on the market. That is your view.

Mr. Lloyd.—We want to have ample stocks. We don't want any cornering.

Mr. Tottenham.—The facts reported to us show that the credit system, on its present basis, does not attract large numbers of small merchants into the salt market. That may have been the original idea, but if so there is nothing to show that it has been realised. We have actual statistics regarding the financial status of the merchants.

Dr. Matthai.—We have got some figures. In the Northern India area 41 traders command 75 per cent. of the trade and the same thing applies to the import trade in Calcutta.

Mr. Tottenham.—We said this: "On the other hand, it obviously offers to banks an attractive means of employing securities that they may have at their disposal for the general purposes of their business, and attracts into the salt business other financiers who might otherwise have no incentive to engage in it and who, in fact, cannot really be said to be salt merchants proper at all. The result is probably beneficial, so long as certain possible abuses are guarded against, as tending to secure greater stability and efficiency in the distribution of salt than would prevail if the trade were in the hands of a large number of comparatively small men."

President.—The whole point is if the tendency of the business, say in Sambhar and Khewra is to pass into a very few hands, that is an argument for having one single authority.

Mr. Lloyd.—I don't think the credit system is one. There may be other factors that tend to lead to concentration of the business in one or very few hands.

Mr. Mathias.—That is from your point of view a good thing. The more he buys, the more he will have to put on the market and the cheaper will be the price to the retailer.

Mr. Lloyd.—Quite.

President.—Your estimate of the Government loss of interest is about Rs. 12 lakhs.

Mr. Tottenham.—Rs. 11½ lakhs.

President.—How do you calculate that?

Mr. Lloyd.—Interest on Rs. 5¼ crores at 5 per cent. for 3½ to 5 months should be about Rs. 9 lakhs. There is another note here of some importance, and it is this: "In discussion it was pointed out that this recurring advantage would only arise if the extra receipts in the first 4 months of charge were invested." This is getting rather deep. Another point has been made in the course of the discussion and that is it would be difficult to regard that as a recurring loss. If you made a change, the position would be readjusted immediately. You will have not a recurring gain of Rs. 11 lakhs but you will have an immediate gain of the whole of six months' salt duty. It would create an undesirable dislocation both to the Government and to the merchants. The latter would be put to the immediate necessity of doubling their capital.

President.—As you say, it is not really the Government that is losing the interest but it is the Government Bank which is losing so much money which it would otherwise get without interest.

Mr. Lloyd.—You might ask the Finance Department for that.

Mr. Mathias.—As a matter of fact, it might affect Government short term loans.

Mr. Lloyd.—There would be an immediate dislocation if a change were made.

President.—If you look at it from that point of view, Government do not lose anything.

Mr. Lloyd.—Quite. I should like to take this opportunity of mentioning one anomaly which we have ourselves created and you might perhaps like to look into it when you go to Burma and that is we have not extended the credit system to the imported salt in Burma but it has been extended to the indigenous salt in Burma. The idea of extending it to the imported salt has only been raised recently and we have decided to leave it alone.

President.—The Board would probably look into it when it deals with Burma.

Mr. Lloyd.—It is a negative measure of protection.

Mr. Tottenham.—The Salt Commissioner of Burma says that if you abolished the credit system as at present worked, it would be a great blow to the local industry.

Mr. Lloyd.—Because it would remove this small amount of protection.

President.—Because there is not too much money there.

Mr. Lloyd.—We certainly will adhere to our present policy until you have reported.

President.—As regards the railway freight, can you tell me what you are trying to do with the Railway Board? I have read some of the files and I am speaking now from recollection. What has been done is that the Railway Board has been asked generally whether it could make a reduction in the freight on salt. As you know they are making a lot of money out of the short distance traffic. I think that the railways make some crores of rupees a year. Of course, the answer is obvious. The Railway Board would not agree to make a general reduction.

Mr. Lloyd.—We shall have to refer to our file.

President.—Your file is with us here. I want to know what you actually tried to do and how the Railway Board met that. If we feel that they have done as much as they should have done, we can use that.

Mr. Lloyd.—I think that our reference to the Railway Board when Mr. Strathie was enquiring into this question was in more general terms and we received an answer in more or less general terms. The only file we have on the subject is the file which you have now with you. This year we approached the Railway Board with a particular question which of course did not throw much light on the general problem.

Dr. Matthai.—On page 9 of the memorandum you say " Since 1st October 1929, the North Western Railway has reduced its freight on Khewra salt to stations east of Saharanpur by 1 anna 7 pies a maund. The East Indian Railway has also reduced the freight experimentally from Saharanpur to stations on their section, etc., etc."

Mr. Lloyd.—That speaks of the *ad hoc* arrangement.

Dr. Matthai.—Yes.

Mr. Lloyd.—We also required a general reduction of freight.

President.—The whole point is this. On 1·48 million tons of salt they get a revenue of Rs. 19·8 millions. That works out at Rs. 14 a ton. It is obvious that if the salt pays a freight of Rs. 14 a ton, the price of salt cannot be reduced.

Mr. Lloyd.—Those averages are rather difficult to work. As you yourself recognise, so much of the traffic is short distance traffic which pays a very high rate of freight.

President.—If we are to stabilise the price of salt all over India, it is obvious that the freights must be differently adjusted because the incidence of Rs. 14 a ton works out at more than 8 annas a maund.

Mr. Lloyd.—Yes.

President.—If you take the demand of India for salt at 2 million tons, they remove half a million tons.

Dr. Matthai.—This includes the imported salt.

Mr. Lloyd.—The Eastern Bengal traffic is reached by river. There are markets which are not served by any railway.

President.—Of course we have got no machinery to find out the incidence of the freight and we do not want to go into that question but would only point out that so much salt is coming by sea and if the railways want to get that traffic, they may get it.

Mr. Lloyd.—There is one difficulty as regards the Northern India traffic and the Bengal traffic. They may not want to reduce the freight. As exports are bulky compared to the imports as a rule, they may not want to expand the traffic which comes down to Calcutta. They may be more interested in the traffic which goes up.

President.—I understood from an officer of the East Indian Railway that there would be empty wagons coming back to Calcutta.

Dr. Matthai.—Those coal wagons are open wagons I take it.

Mr. Lloyd.—Not always.

President.—Now I want to ask you about the organisation we have been considering. We start with this. Assuming that we come to the conclusion that the salt can be and ought to be manufactured in India, then we have to devise a scheme which would enable the Indian industry to get what we consider a fair selling price.

Mr. Lloyd.—Yes.

President.—Now, as you know, that presumes they must get this fair selling price without interruption for a series of years, that is to say, until the time they are fairly well established. The fluctuations in prices are, as you know, very great indeed. They vary sometimes from day to day, week to week. If you took the weighted averages for instance, the price of the bulk salt was Rs. 59 in 1925-26; it was Rs. 78 in 1926-27 and Rs. 105 in 1927-28; it was Rs. 88 in 1928-29 and now it is about Rs. 50 or Rs. 55.

Mr. Lloyd.—What quality are you speaking of?

President.—I am talking of the quality excluding Liverpool and Hamburg.

Mr. Lloyd.—The price of Rs. 50 or Rs. 55 is quite recent.

Dr. Matthai.—Since last week.

President.—If these fluctuations continue, it is impossible to guarantee any scheme of protection to the industry. Therefore the first thing to do is to stabilise the prices, that is to say, the internal prices, or as we have proposed in the Steel industry we may have a provision that the duty might go up if the foreign prices are below a certain figure. Obviously we cannot do so in a commodity like salt.

Mr. Lloyd.—Because of what?

President.—Because once the prices have been put up, it takes a long time for the prices to come down. It has been admitted by dealers whom we have examined that it is a fact that the variations in prices, specially declines, are not reflected in the market.

Mr. Lloyd.—Does not the use of a provision such as you have mentioned in the Tariff Act presuppose that you have to put up prices to a level from which you don't want them to come down again?

President.—We do want it to come down when the disturbing cause has disappeared. The retail prices will continue at a higher level for a considerable time and in any case in a commodity like salt which is of common use we cannot have these frequent variations in the duty.

Mr. Lloyd.—What I was trying to get at is this. Take an extreme instance: if the foreign manufacturer starts putting salt in the market free. If you had a clause as you have in steel you might put on an extra duty of Rs. 50 per 100 mds. There is no reason why that should raise the retail price above what ought to be the level of the retail price.

President.—Theoretically it is so. In practice a man, as soon as the duty is put up, thinks it is necessary to raise the price. It remains at a high level for a considerable period. Theoretically it should not. That is one point namely that there will be frequent variations in the duty and frequent fluctuations in prices and the result will be that most of the time the consumer will be buying at a higher level rather than on the lower.

Dr. Matthai.—It is not perhaps tactful to let the question of the salt duty be discussed too often in public!

Mr. Lloyd.—If I may still go back to the point you raised, surely the fact that you are making arrangements to allow Indian salt to be sold in these markets will itself prevent people putting up prices of foreign salt merely because the duty has been put up to meet the drop in the price of the foreign salt.

President.—Why?

Mr. Lloyd.—Supposing you had in the Calcutta duty paid market Indian salt and foreign salt competing at the same level of prices as a result of the measures taken, say at Rs. 175 per 100 maunds duty paid. If the foreigner says "I will bring down the cost to Rs. 125 per 100 maunds," and Government puts up an additional duty of Rs. 50 on 100 maunds, the effect of that will be to bring the foreign salt up to Rs. 175 but in the meanwhile Indian salt remaining at Rs. 175 will prevent the market from putting up the price.

President.—The price of Indian salt might go up. First of all take the position of the market last week; there was a cut of Rs. 7, that was the consequence of some other salt having arrived. I cannot conceive of Government taking action in such a short time, and by the time Government takes action the industry might be destroyed.

Mr. Lloyd.—That machinery might be ineffective; I am with you there.

Dr. Matthai.—If you had a provision under which the duty might be varied from time to time the amount of uncertainty that would arise with regard to the rate of salt duty would put us back to the position of 1922-23. You remember there was a lot of uncertainty about the rate of salt duty at that time and the result was a lot of speculation.

Mr. Lloyd.—Difficulties arising out of a clause such as you mention must exist. Of course one recognizes that. That was not the point I was thinking of.

President.—I can only tell you what my impression is, that this point is borne out by the variations themselves. If it was a case that when there was a reduction of the duty the price to the consumer would be reduced then it would follow that there would be a large reduction in price but the dealers tell us it is not so. Whatever the variations may be in the Calcutta market the consumer in the district does not ordinarily benefit, but when the prices go up, the prices in the district are put up and they take a long time to bring them down and in the meantime there may be again a rise in the price. The result is that the dealers in the district keep the prices at a higher level to safeguard themselves and as I say

the administrative difficulties would be such that it would not be possible to take immediate action to protect the consumer.

Then the next thing is the question of quality, that is to say we do not want to encourage the manufacture of very inferior grade of salt. There also free competition is not really a help as regards quality. Take Bombay and Madras salts they are thoroughly bad but people have got to eat what they get.

Mr. Lloyd.—There is nothing detrimental to public health in these salts. We have had no complaint from the Public Health Departments.

President.—If Bengal were to eat that salt it would not affect their health at all, but the trade and the consumer consider that salt as bad Whether it injures people's health or not is no argument in its favour The fact remains that free competition has not resulted in improving the quality.

Mr. Lloyd. The taste of the consumer is extremely mysterious, as evidenced by the fact that the kind of salt that goes from Bombay and finds a market in Bengal is too poor to be eaten even in Bombay itself.

President.—It has very much to do with the price also; it is merely a matter of price. What I am suggesting to you is that free competition is not a guarantee as regards quality because free competition also means lowering of prices at such a level that the quality may be lost sight of We are asked here to report whether this class of salt ought to be produced or can be produced or not for the Bengal market and therefore we must see that there is some guarantee as regards the quality.

Mr. Lloyd.—You mean for the salt produced for the Bengal market?

President.—Yes, and that, under any system of tariff which leaves the quality to free competition, cannot be done. Therefore from that point of view the question of control becomes very important so far as this part of India is concerned. We have asked the trade to make suggestions as to how that can be brought about under any other system than that of control. We have not received any suggestions that we can accept so far. We are again examining these people in Bombay to see whether they can make any suggestions which would guarantee both things, namely stabilisation of prices and the maintenance of quality.

Mr. Lloyd.—Whom are you referring to?

President.—Indian manufacturers as well as importers and businessmen and they have not yet been able to suggest anything that would help the industry.

Mr. Mathias.—Would you agree that free competition does not tend to maintain the quality?

Mr. Lloyd.—I have not the material to answer that.

President.—My colleague reminds me that we have heard in evidence that Bombay salt is being replaced to a certain extent by Aden salt on account of the price, but if you introduce free competition and bring down the price it is quite unlikely that the quality will be maintained.

Mr. Lloyd.—Presupposing the necessity of maintaining the quality the reference to the Tariff Board as I understood from the Resolution was with regard to the question of producing the kind of salt which is sold in Bengal. So long as there is free competition that condition can be assured. Whether he prefers it or prefers another quality becomes a question of taste.

President.—Free competition in that sense is inconsistent with any question of protection. We have to give protection to start with; free competition cannot come in to the same extent at that stage.

Mr. Lloyd.—Protection in that sense must be almost prohibitive protection.

President.—Adequate protection. Free competition will not necessarily guarantee quality because prices will be maintained at a level apart from quality.

Mr. Lloyd.—So long as the different qualities were all available in the market without any unreasonable difference in price our own attitude has been that the Bengal market should be allowed to choose. My own impression is that the idea underlying the reference is that the Bengal market should not be put into the position of being compelled to accept a quality of salt to which it is not accustomed.

President.—If you put up the price of the competitive salt by protection there is no guarantee that the quality will be maintained.

Mr. Lloyd.—If it is prohibitive protection.

President.—It must be effective protection.

Dr. Matthai.—If the method of protection results in a substantial reduction of imports of salt of good quality then to that extent the Indian manufacturer loses the incentive to maintain quality, therefore if you reach that position it may be necessary to enforce by some other method maintenance of the quality.

Mr. Lloyd.—I see your point.

President.—That is the kind of scheme we are considering now. Having these objects in view we have first of all to decide what would give the Indian manufacturer a fair selling price. If the price is such that obviously the burden on the consumer would be very much increased it may not be possible for us to make that recommendation. But if the price is such that it will not throw a greater burden than the consumer can reasonably be expected to bear, then it is all right. Having got that price we have then to see how to stabilise the price of imported salt. You know how business is done in the case of oil. The idea is that you have to ascertain what is the total demand of India for salt of a certain quality. Supposing it is 500,000 tons; provision has to be made for the purchase of that salt. We will say some authority is constituted—we will have to consider whether it should be the Government or somebody else—which is made responsible for the supply of the whole demand of this part of the market to start with. It then says "we want so much salt; let us see how much we can buy in India" and it buys what it can buy in India at the price fixed and the rest it buys in the open market by tender or in some other way in the world market. Then it has got to sell this salt and it will have to fix its price. We have got figures for 4 or 5 years; what we propose to do is to find out the average weighted price of salt within that period, four, five or ten or whatever period it may be which the consumer has had to pay and we say that is the maximum price at which the consumer will be sold his salt. Supposing it is Rs. 80 he has been paying Rs. 80 on an average for the last five years.

Mr. Lloyd.—May I ask who you are referring to as the consumer?

President.—I am thinking of the *ex*-golah price. That is the first price that we get.

Mr. Lloyd.—You mean the local wholesale distributor.

President.—Yes. Supposing we find a figure of Rs. 80 for the sake of argument, that authority has to undertake to sell that salt at a price not exceeding that. It will have to start at some figure. The object in view is to stabilise the figure as far as possible for an indefinite period.

Mr. Lloyd.—Yes.

President.—So that there are no fluctuations at all in the price. That is the main idea.

Then as regards qualities, it can prescribe standards. We are trying to see how many qualities there ought to be in the market, two or three or whatever it may be. It would pay to the Indian manufacturer according to the quality of salt that he produced. The quality must be such that it has been fairly in the market for the last 5 or 10 years. It should not be worse than any kind of salt that has been sold. For that reason we have taken the samples in the market and will classify them as far as possible. If

the Indian manufacturer does not conform to those standards, he will not be able to sell his salt at all. Now the question is what should be the authority. That is where I want your advice. There is evidence to suggest that eventually it may be easy to form a public utility company, but that might take time and we were thinking that to start with Government might be asked to take over this part, that is to say just importing and selling salt until some other organisation is formed.

Mr. Lloyd.—Do you mean to say that Government would take it over as part of their own functions or by creating not a Company but an organisation similar in character to the Port Trust for example?

President.—What happens is this: take your Northern India Salt Department. You manufacture and sell salt. Instead of your manufacturing salt, you import salt for the time being. It is just exactly what you are doing now as regards your own salt.

Mr. Lloyd.—It has to be an all-India organisation.

President.—As an interim measure we start with the Calcutta market. We prohibit the import of all the salts by sea.

Mr. Mathias.—Why do you say that it has to be an all-India organisation?

Mr. Lloyd.—It would affect the salt produced in all the sources which send salt to Bengal and all the imported salt, so that an all-India organisation was a necessity. But I didn't mean that it would cater for all the markets in India.

President.—That would be merely a temporary measure until a scheme is worked out and put into practice which would enable the business to be handed over to a public utility concern. Eventually that must result also in Government using that organisation for marketing its own salt. That would bring the market under one control eventually. With your existing machinery supposing you were asked to import this quantity, instead of importers putting it into the golahs or selling *ex*-ship, would you do it?

Mr. Lloyd.—I think it should be a separate organisation. My own feeling is that it should be quite distinct from the revenue collecting side.

President.—If the Government eventually decide to hand it over to a public utility company, the organisation would get to such a size when there will be difficulties for handing it over. I am asking you without any elaborate organisation, whether Government might be able to undertake it.

Mr. Lloyd.—That will require a great deal of thought.

President.—I am not asking you to answer it off-hand.

Mr. Lloyd.—You will have to have a separate establishment from anything now in existence just as in the war various controls of purchases were introduced. They were worked separately—officers like Rice Commissioners or Wheat Commissioners—of course with the fullest co-operation with the departments in existence.

President.—It will throw a certain amount of extra work on the department.

Mr. Lloyd.—It will throw on the customs department work of quite a different character from its own. Revenue departments are not merchants.

President.—It is business in a very limited sense. You have got the price fixed. You have got to go out into the market and buy and you have got to sell at a fixed price certain quality of goods. It is not as if you have not got to get the best price in the market here or anything of that sort.

Mr. Lloyd.—It would involve a great deal of work, even if nothing unforeseen happens. There must be a separate Salt Commissioner.

President.—I don't mean to say that you cannot have any increase in your staff.

Mr. Lloyd.—There must be a salt purchase Commissioner probably under the Commerce Department rather than under the Finance Department.

President.—Or it may be under the Indian Stores Department.

Mr. Lloyd.—Yes.

Mr. Mathias.—Is there any practical difficulty in the selecting of a person?

Mr. Lloyd.—I have not begun looking for one.

Mr. Mathias.—It is said that free competition would not secure quality under a system of protective duties. I suppose there is no difficulty in the way of Government appointing Inspectors and ensuring that quality.

Mr. Lloyd.—Something can be done in that direction, but it would be rather expensive.

Mr. Mathias.—It was done in Madras.

Mr. Lloyd.—How far it is valuable, we don't know.

Mr. Mathias.—How far is it necessary?

Mr. Lloyd.—We don't think it necessary.

Mr. Mathias.—Just as Government have Metallurgical experts at Jamshedpur for testing the rails, something on that line can be done for testing salt.

Mr. Lloyd.—Yes.

Mr. Tottenham.—We are considering the point.

Dr. Matthai.—You are moving somewhat in the direction of modified excise with a view to controlling prices.

Mr. Lloyd.—That is the system we now favour.

Dr. Matthai.—The whole object of the scheme as Sir Padamji has explained is to secure a certain amount of control over prices and incidentally over quality. I was thinking that was approximately the line in which you are moving yourself. The development of Maurypur, is that not an example?

Mr. Lloyd.—Yes, we favour the modified system.

President.—It really comes to that instead of buying salt manufactured in the country, you are importing it.

Mr. Lloyd.—Instead of Government buying all the imported salt, Government might merely have the option to buy a certain portion of it if it thought fit.

Mr. Mathias.—For instance Government might say to the manufactures in the event of the *ex*-golah price exceeding Rs. 90 they would have the option of taking over all the stocks at Rs. 90. Do you think that it would have the effect?

Mr. Lloyd.—I think it would have a considerable effect.

Mr. Mathias.—Do you think that it is at all practicable? Of course it could be introduced by legislation.

Mr. Lloyd.—Yes.

Mr. Mathias.—Government would have to devise machinery to take it over. The simplest way would be if you had an option at Rs. 90, you would take it over and sell it through a broker at this price at Rs. 90.

Mr. Lloyd.—I think a measure of that sort might have some effect for the same consideration as the one that induces us to favour the modified excise system. The modified excise system is a weapon which we are rarely, if ever, called upon to use. Its mere existence tends to prevent the evil from arising. I don't think it is ever used. That would decrease the practical difficulties of the scheme.

Mr. Mathias.—A large number of these variations in prices are brought about we have been told by the Salt Importers' Association.

President.—Modified excise is used when prices go up.

Mr. Lloyd.—Yes.

President.—Here we are considering a situation that the prices may go down too much. What are you going to do? How will the modified excise help you?

Mr. Lloyd.—Under the modified system we are not aiming at stabilisation, but at a maximum price. In this case you want a minimum price as well.

President.—I can't except you to give me an exact figure as to what you will have to do, but it would be very useful when you go back to Delhi to let me have an idea as a temporary measure what sort of machinery you would require and how much it would cost. Supposing we find no other alternative we have to put forward this scheme.

Mr. Lloyd.—Your idea is that we shall not be concerned with selling otherwise than *ex*-golah or *ex*-ship. We are not concerned with the further stages of distribution.

President.—You have got to keep your hold on the market.

Mr. Tottenham.—It would be a great help to us if your Secretary could let us know in writing the points on which you want our advice.

President.—We explain generally what we require.

Mr. Lloyd.—You want to know what sort of a temporary Government organisation would be necessary to market the imported salt at the *ex*-golah or *ex*-ship stage of distribution.

President.—And to see to the quality.

Mr. Lloyd.—Of the imported salt.

President.—All salts.

Mr. Lloyd.—What functions would such an organisation have to exercise in connection with Indian salt?

President.—It would buy the Indian salt at the price we fix.

Mr. Lloyd.—Prices where?

President.—Wherever it is produced.

Mr. Lloyd.—What about the markets between the Indian sources, for instance Sambhar or Khewra salt?

President.—You would be at liberty to buy that salt.

Mr. Lloyd.—There the difficulty is this. If he has got to deal with imported salt it is a fairly simple proposition, because all his customers are in the same place, but if he is going to deal also with salt which comes down from Sambhar or Khewra to places between Sambhar or Khewra and Calcutta he will have to have a lot of customers and it will increase the volume of his work.

President.—For this purpose we want to hand this over to a Public Utility Company before that question actually arises.

Mr. Lloyd.—You mean that with your temporary organisation you will be concentrating on the Calcutta market. If it had to deal with the Western Bengal markets and Sambhar and Khewra salts were coming there, it might require two, three or four times the organisation.

President.—That aspect of the matter you may keep separate. It is only to that limited extent and purely as a temporary measure, I want your opinion. Do you think you could let us have a note on that?

Mr. Lloyd.—Yes.

President.—As far as we can see we must start with that. Even if a marketing organisation comes in subsequently, this thing has to be done. You cannot leave the market to take care of itself.

Mr. Lloyd.—I see.

President.—Having got to that stage, we shall then have to consider what other machinery will have to be devised.

Mr. Mathias.—We have a suggestion from the various Karachi manufacturers, in connection with which perhaps your experience of Customs will enable you to suggest difficulties if any. They say "We ask that minimum prices for different qualities of salt be fixed at the average of the rates realised for them during the 24 months ending in August 1929 and that no importer be permitted to sell at less than the fixed prices. Indian manufacturers should at the same time be permitted to sell at whatever prices they can realise, even below the fixed prices . . . . . ". Their idea is that a law should be passed under which certain prices should be fixed and when a man comes to the ship or golah to take delivery, he should produce some sort of affidavit that he is taking delivery at a certain price. There are certain obvious difficulties.

Mr. Lloyd.—Our idea is that it is quite a hopeless suggestion. The only instance of fixing a minimum price is in the Excise Department, but there the sales are made in licensed premises. Therefore there is some hope of adhering to the price, but if a commodity is sold in the open market, it is quite impracticable.

Mr. Mathias.—It could be easily got round by secret commissions.

Mr. Lloyd.—Yes.

President.—Now let us take the bigger scheme. This one that we were discussing was merely a preliminary step.

Mr. Lloyd.—Yes.

President.—The preliminary step may not be taken at all unless the other steps are taken subsequently. What it means is after doing this if a company is floated which meets with the approval of Government and gives certain undertakings which Government consider satisfactory, then only will the Government hand over the business to the company.

Mr. Lloyd.—Yes.

President.—But, as I was telling you yesterday, that would mean there should be some co-ordination between Government marketing and theirs. They cannot compete one against the other in the same markets.

Mr. Lloyd.—Government and the proposed company you mean?

President.—Yes.

Mr. Lloyd.—Quite so.

President.—That would be undesirable from any point of view.

Mr. Lloyd.—Do I understand you to mean that we must not create a position under which in certain markets, for instance in West Bengal, the Government Department producing salt in Northern India would compete with a Public Utility Company buying salt in Calcutta?

President.—Yes.

Mr. Lloyd.—I follow.

President.—That would not be desirable from any point of view. The eventual object is to stabilise the price of salt throughout India. At present Bombay and Madras are really out of the zone.

Mr. Lloyd.—Is not there a marginal zone where the prices would be regulated by competition?

President.—You need not have competition. The object of the marketing organization is to supply the salt from the nearest and cheapest source. That can be done only when there is one single organization. Take any other trust or combine dealing in articles like cigarettes, etc. The idea is it is taken from the cheapest source from the point of view of the price, freight and other things and only that salt is sold there and other salts are excluded provided the consumer will take one or the other without making any fuss about it. The first step might be that the whole of the Government marketing is done by the same company with a view to enable the Government to get that price which it thinks it ought to get on an average. It

might put part of it in the Bengal market and sell part of it somewhere else provided Government gets the price that it considers reasonable.

Mr. Lloyd.—Yes.

President.—On that, I cannot ask you to express any opinion, but that is what we are aiming at. If, at some future date, you can give us your views, we should be very glad. The marketing company's powers will be limited as regards the prices that it can fix and as regards the profit that it can make. If by economising the cost of transport and in other ways it makes a much bigger profit than it ought to, then it shares it with Government. Those are the main lines.

Mr. Lloyd.—I don't think we are likely to be able to say very much about the proposed Public Utility Company ultimately selling Government salt. Of course, as revenue officers, we are primarily concerned with the collection of revenue. If the proposed company functions properly we could have no objection.

President.—Your task would be made very much easier.

Mr. Lloyd.—Yes.

President.—Supposing you still continued to manufacture, you would get a price which would give you a reasonable return on your capital.

Mr. Lloyd.—As revenue officers we cannot say anything more. We should welcome a proposal of the kind under discussion as revenue officers.

Mr. Mathias.—So far as the marketing organisation is concerned your view is that it is not a matter for the Central Board of Revenue but for the Commerce Department.

Mr. Lloyd.—This is a matter for the Government of India and not for us.

President.—From your own Department's point of view, it makes the collection of revenue much easier because you make one single authority responsible for your revenue.

Mr. Lloyd.—That is true.

President.—Have I made myself quite clear on that?

Mr. Lloyd.—Yes.

President.—As regards the preliminary scheme, kindly let me have your note. I shall also be glad if you can give us your views on the scheme as a whole. I am not asking the views of the Government of India at all on this, but I am telling you that we shall be glad to have any suggestion which you may wish to make about the guarantee that would ensure Government revenue, price to the consumer, profit and so on that we were discussing yesterday. Obviously you must be the first body to be consulted.

Mr. Lloyd.—As revenue officers, we don't feel quite justified in giving our views.

President.—You might say that it might complicate or facilitate the work of your Department.

Mr. Lloyd.—It is only on that part of the work that we should feel no hesitation in giving our views.

Mr. Mathias.—Do you understand exactly how far the marketing organisation suggested by Sir Padamji would go? Is it clear to you?

Mr. Lloyd.—That is not quite clear.

President.—One point which I should like to explain to you is this. At present, such a marketing organisation does exist and it is Government. It is not as much in touch with the market as the marketing organisation might be expected. Whether it would do wholesale or retail business we cannot say now. It would certainly have control over the whole business in the various markets just as big trusts do and once the wholesale prices are stabilised for a definite period, then it will be time for them to see how far the organisation might extend. The retailer would come in when the marketing organisation is in a position to see at what level the prices

eventually can be stabilised. The retail consumer cannot come in except at the very last stage. It is really a further development. In order to get to the retailer, the wholesale prices must reach a level at which they can be maintained more or less indefinitely. Until that is done, nothing can be done as regards the retailer.

Mr. Lloyd.—We will send our views to you.

President.—As regards retail prices. I have been trying to get some real evidence but we cannot get it for the simple reason that unless you had a very elaborate machinery you could not get it. As far as I understand, these prices are average prices and are not weighted; that is to say, if Rs. 1-8-0 is the price for the first fortnight, Rs. 1-7-0 for the second fortnight, Rs. 1-5-0 for the third fortnight and so on, the prices for the 24 fortnights are added and divided by 24. The figure that is obtained thus will be the average only for a particular year. That figure can seldom be right unless you have the weighted average. A man may sell 5 maunds at Rs. 1-8-0 for one fortnight and in the next fortnight may sell a lot at Rs. 2. Therefore the averages are vitiated entirely. It is for that reason I say we have practically no evidence.

Mr. Lloyd.—Such evidence will be exceedingly difficult to obtain. I imagine that the enquiries made by District Officers are made in a casual way.

President.—I have been trying to compare the prices with the actual weighted prices that we have actually got. The figures look absurd. Sometimes they are lower than the weighted average prices. There is something wrong there. What I want to know is how do you get these prices that you publish?

Mr. Lloyd.—Which prices are you referring to?

President.—The prices that appear in the Trade Journal periodically. We may have to make some suggestions regarding them. If you took the weighted average wholesale prices for any period and if you compared them with the prices given here you will find obviously they could not be correct.

Mr. Lloyd.—You mean the prices for the imported salt?

President.—Yes. In Bengal there are 6 or 7 grades of salt. If you take any weighted average price for any particular period and if you add all the necessary charges to the average price, you get very different figures so that my suggestion is that unless you have some better system these prices are not very helpful.

Mr. Lloyd.—We will let you have a note.

THE COLLECTOR OF CUSTOMS, CALCUTTA.

Evidence of Mr. G. N. BOWER, Mr. F. BUCKNEY and Mr. M. N. FITZGERALD, recorded at Calcutta on Tuesday, 14th January, 1930.

President.—Mr. Bower, you are the Collector of Customs, Calcutta?

Mr. Bower.—I am the officiating Collector of Customs.

President.—How many years experience have you got of Calcutta off and on?

Mr. Bower.—More than 22 years off and on, but I was away for ten years before I returned here.

President.—You are quite familiar with the history of the *golahs*, the practice, the methods and so on?

Mr. Bower.—Yes.

President.—Mr. Fitzgerald, how many years experience have you got?

Mr. Fitzgerald.—I have been at the *golahs* for the last 7 years and have been connected with salt for 36 years.

President.—And you, Mr. Buckney?

Mr. Buckney.—I have been in charge of salt from February 1927 to March 1928 and again from September 1929.

President.—This department has always been under the Collector of Customs?

Mr. Bower.—Yes.

Mr. Mathias.—What about prevention? Is that under the Commissioner of Excise?

Mr. Bower.—Yes, but the delta of the Ganges contains so much mud and fresh water that it is not possible to have salt factories in Bengal as they have in the Bombay and Madras Presidencies because the sea-water contains comparatively little salt and therefore there is very little salt preventive work.

Mr. Mathias.—Then what does the Commissioner of Excise do?

Mr. Bower.—I don't know exactly. He may record the figures of prices of salt in the districts but he is really in charge of inland preventive work and control of bonded warehouses and saltpetre refineries. We receive applications from various firms for the remission of duty on salt to be used for industrial purposes and we refer these to the Local Government.

Dr. Matthai.—So that the inland bonded warehouses are under the Commissioner of Excise?

Mr. Bower.—Probably under the supervision of the District Collector I imagine. The only connection we have with them is that they send statements in respect of salt going to these inland bonded warehouses either direct *ex*-ship or from the *golahs*.

Mr. Mathias.—This inland preventive work and inland bonded warehouses is a Provincial subject?

Mr. Bower.—I think so.

[NOTE.—The Amendment of the Inland Bonded Warehouses Act 1896 by Act IV of 1928 has placed Inland Bonded Warehouses under the direct control of the Central Board of Revenue. By executive authority however, the Local Government act as Agents for the Government of India for purposes of the supervision of the Inland Bonded Warehouses.]

Dr. Matthai.—Can you tell me roughly the average proportion of salt held in inland bonded warehouses?

Mr. Bower.—That is given in the Report on the Administration of the Salt Department in Bengal. I can't say off-hand but it is comparatively very small.

President.—Inland preventive work can't be very much?

Mr. Bower.—None at all except supervision of the bonded factories.

Mr. Mathias.—I suppose inland supervision will amount to this that the Excise Sub-Inspector when he goes on tour will keep an eye on the illicit manufacture of salt?

Mr. Bower.—I imagine there is no possibility of manufacturing salt.

Mr. Mathias.—But on the manufacture of salt-petre and things of that sort?

Mr. Bower.—Yes, probably.

President.—I just want to understand the procedure, first of all as regards imports and then we will take up the question of sales. What is the first step you have got to take as regards imports of salt? Are you notified by the importer that a particular ship is coming? How do you know that a consignment of salt is coming in?

Mr. Bower.—We may get intimation from the steamer agents and the salt reports which are published show the steamers expected with salt. We also get information from the Calcutta Exchange Gazette which publishes a list of the steamers expected. It often happens that when a man wants to bond his salt he makes an application to us saying that he is expecting a steamer even a month ahead. He asks for space for, say, 30,000 or 40,000 maunds, so that there are many means of finding out what ships are coming into port.

President.—Then what happens?

Mr. Bower.—On the arrival of the ship the agents have to file manifests within 24 hours of the ship's arrival for Customs purposes. The practice in Calcutta, which is probably unique, is for the importer or the agent of the ship to take out a bond for the complete cargo of salt—the whole manifested quantity of salt under section 92 of the Sea Customs Act.

President.—Does that involve them in any expenditure?

Mr. Bower.—Yes, in stamps.

President.—What does it amount to?

Mr. Bower.—About Rs. 10.

President.—Who pays that?

Mr. Bower.—The person who bonds the salt.

President.—The importer or the owner of the ship?

Mr. Bower.—It may be either, but it is usually the importer. It is the agents of the ship in some cases but more often it is the importer who pays for the stamps.

President.—What happens after that?

Mr. Bower.—Then either they decide to re-sell the salt to a trader or they may decide to start taking delivery of the salt straightaway on filing a bill of entry either under the credit system of paying duty in cash or they may decide to send a certain quantity of salt to the *golahs* in bond.

President.—Supposing a man takes delivery for cash he simply removes it off the ship, does he?

Mr. Bower.—Yes, it is delivered *ex*-ship.

President.—I suppose he has got to take a challan?

Mr. Bower.—Yes he has got to file an out of bond bill of entry because the whole of the quantity has been bonded although it has never gone into the bonded warehouse.

President.—I see there is some complaint about this that you license some of these people. There is a rule that buyers' agents must also have a licence or a certificate before salt can be delivered to them?

Mr. Bower.—Everybody who has transactions with the Customs has to have a licence.

Mr. Fitzgerald.—The merchant is not licensed but the representative who goes on board and takes delivery. The buyer has not got to have a licence. It is only to make sure that the man is authorised to take delivery of the salt.

Dr. Matthai.—To be sure that the man does represent the merchant?

Mr. Bower.—Yes.

Mr. Mathias.—How much has he to pay for the licence?

Mr. Bower.—8 annas.

Dr. Matthai.—It is a sort of power of attorney?

Mr. Fitzgerald.—Yes. that is his authority for representing the owner of the salt.

Mr. Mathias.—It is not necessary to put the salt in the bonded warehouse to take it on credit?

Mr. Bower.—No, the Credit system is not confined to the salt in the bonded warehouse; delivery can be taken *ex*-ship.

President.—After he produces this licence I suppose he must get a delivery order from the importer.

Mr. Fitzgerald.—From the importer or the steamer agents if they are also the bonders.

President.—A bill of lading cannot be endorsed because it is part cargo and therefore it must be a delivery order from the importer or agent of the ship who has bonded the salt, is that correct?

Mr. Fitzgerald.—Yes.

President.—Then you start weighment?

Mr. Fitzgerald.—For delivery *ex*-ship there will be officers on board who will be in a position to deliver the salt as soon as the challan is presented.

President.—How long do these formalities take?

Mr. Bower.—Delivery can be given within two days.

President.—A man gets all these documents—we will call him A. Can he transfer them to B?

Mr. Fitzgerald.—Yes, but we only recognise the merchant in whose name the bill of entry is taken out.

President.—Who issues that?

Mr. Fitzgerald.—Merchants make it out themselves, and present it at the Custom House; delivery is made on presentation of that document.

President.—It is transferable?

Mr. Fitzgerald.—We only recognize the merchant whose name appears on the bill of entry. It may be that A who has taken out the bill of entry sells to B, but we will deliver to A's representative who will have to acknowledge receipt of that salt.

President.—Is that done?

Mr. Fitzgerald.—It is done very often.

President.—Are there these intermediate transactions?

Mr. Fitzgerald.—It is done very frequently at the *golahs* but not so frequently *ex*-ship.

President.—I take it the *ex*-ship deliveries are generally for up-country markets, is that right?

Mr. Bower.—I should not say so. I should say they are more to meet the immediate demand rather than for depôts up-country. There are depôts up-country. A firm like Turner Morrison would supply their depôts *ex*-ship

or *ex-golahs* but they would not bond the salt at the *golahs* which is going to up-country depôts to the same extent as they would unsold other salt.

President.—Is there much salt stocked for sales generally in Calcutta outside the bonded warehouses?

Mr. Fitzgerald.—They don't keep large stocks in private godowns as they can get delivery from the *golahs* within two days to meet any demand.

Mr. Bower.—They have good storage at the Sulkea *golahs* and the rates of rent charged compare favourably with any similar good accommodation outside.

President.—I take it that roughly about one-half is taken delivery of *ex*-ship and one-half from the *golahs*?

Mr. Bower.—Three years ago it was 43 per cent., for the last two years it was 55 and this year up-to-date it is 49 per cent: or roughly half.

President.—What are the average stocks in the *golahs*?

Mr. Fitzgerald.—Stocks vary considerably. It is now about 20 lakhs; in 1927-28 it was about 26 lakhs.

Dr. Matthai.—Is there any particular period of the year when the stocks are likely to stand high?

Mr. Bower.—I tried to find that out by making a statement for each year from 1923 but I have not been able to arrive at any definite result. Imports vary considerably. If there is a rumour that the salt duty is coming down naturally they don't care to take the salt out of the *golahs* and there is accumulation of stock.

Dr. Matthai.—Then this figure of about 23 lakhs may be taken as the average?

Mr. Bower.—Yes, under normal conditions.

President.—That really means six months stock *ex-golah*.

Mr. Bower.—My own idea is that the quantities imported are roughly 12 lakhs a month.

President.—Of which half goes direct *ex*-ship and it leaves six lakhs maunds so there is roughly six months supply from the *golahs*.

Dr. Matthai.—If we take 50 per cent. as the average *ex-golah* stock then about half of the 12 lakhs may be taken as the average quantity going into stock, is that right?

Mr. Bower.—Yes.

President.—You have got to keep six months stock *ex-golah*. That means a lot of interest and a lot of *golah* rent.

Mr. Bower.—Yes.

President.—Government business is very hard to follow.

Mr. Bower.—There is a certain amount of rent which would have to be paid for storage.

President.—That is perfectly true. I shall presently show you that rail-borne salt doesn't carry so much stock, nor is so much money locked up.

Mr. Bower.—No?

President.—We may take it that this is equal to six months roughly.

Mr. Bower.—Yes.

President.—The average is about 23 lakhs?

Mr. Bower.—Yes.

President.—You start giving delivery after these formalities have been completed. I must say that it is a very slow business.

Mr. Bower.—Yes. When you get delivery, you get delivery for final consumption to the retailer. When you get your salt weighed out it is correct weight which is accepted for future transactions. The trade accepts our weights. They have not got to handle the bag of salt any more until they give actual retail delivery.

President.—Let us see what happens. First of all you start weighing. Let us see how the charges work out.

Mr. Bower.—We charge nothing for weighing *ex*-ship.

President.—After you have weighed, what happens?

Mr. Bower.—We take a receipt from the merchants' representative on the bill of entry and the consignment is taken away and we have no more responsibility. We have nothing more to do once the salt has been delivered *ex*-ship on payment of the duty.

President.—But I suppose it costs Government something to do it.

Mr. Bower.—Yes.

President.—What about the labour? First of all I understand when you give delivery *ex*-ship, it is done in these two maund bags, is that right?

Mr. Bower.—No.

President.—Somebody must pay for the labour.

Mr. Bower.—The importer or ship's agents pay for the labour.

Mr. Mathias.—Do you pay for weighing labour?

Mr. Bower.—No, so far as labour is concerned. Customs supervision is not charged for but is paid for by Government.

Mr. Mathias.—When you say you don't charge anything, you don't mean the customs supervision is not charged.

Mr. Bower.—No charge is made for the Customs Officer actually in charge of the scale.

President.—How many tons can you weigh in a day?

Mr. Fitzgerald.—500 maunds an hour.

Mr. Mathias.—You make arrangements for the labour.

Mr. Fitzgerald.—The ship does that.

Mr. Mathias.—Because I find that the charge for weighing *ex*-ship is Rs. 2 for 1,000 maunds.

Mr. Fitzgerald.—That is done quite independently of the customs.

Mr. Mathias.—That would be done by contract?

Mr. Fitzgerald.—Yes.

President.—Rs. 2 for 1,000 maunds to the ship?

Mr. Fitzgerald.—No.

President.—To the stevedore?

Mr. Fitzgerald.—To the weighment sirdar.

President.—Each Company has got its own weighment sirdars.

Mr. Fitzgerald.—Yes.

President.—But when it is done at night, the charge is very heavy, Rs. 22 extra for 1,000 maunds.

Mr. Mathias.—That is for night landing.

Mr. Fitzgerald.—That is for unloading the cargo boats during the night at the *golahs*. That is not concerned with the ship at all.

President.—Who provides that labour at night?

Mr. Fitzgerald.—Stevedore provides the labour for unloading the salt.

President.—It is the bonder who pays for weighment.

Mr. Fitzgerald.—Yes.

President.—Is there much landing at night?

Mr. Bower.—Salt is discharged at night only when it is going into bond.

President.—Is it at any particular time?

Mr. Bower.—The whole night.

President.—The idea is not to detain the ship longer.

Mr. Bower.—Yes, that is the idea. There will be more or less continuous weighment, but we don't allow delivery for home consumption at night, because of the obvious difficulties in keeping proper control.

Mr. Mathias.—It is Rs. 22 extra per 1,000 maunds for night work at the *golahs*.

Mr. Bower.—That is right.

Mr. Mathias.—95,000 maunds were landed *ex-golah*. The charge for that is Rs. 26 for 1,000 maunds for day landing and for night landing Rs. 22 extra for 1,000 maunds.

Mr. Bower.—We have got a contract at that rate. I think you were finding out the cost of landing *ex*-ship?

President.—The only charge that the importer incurs on the ship is this haulage from the hold.

Mr. Fitzgerald.—The bonders are saved that expense.

Mr. Bower.—Hauling out of the hold is part of the freight of the ship.

President.—They bring it on deck. The ship does it and then it is weighed. It is only for the weighment that the bonder has to pay.

Mr. Bower.—In other words the cost of using the ship's tackle is included in the freight.

President.—After that it is discharged into the boats.

Mr. Bower.—Yes.

President.—Those boats belong to the stevedore.

Mr. Bower.—To the boating contractors. Many people have their own boats. For salt intended to go up-country by water they may take delivery in their own private boats. Sometimes they hire boats and take delivery.

President.—Supposing it is going to be bonded?

Mr. Bower.—Salt from the ship's hold to the *golahs* is weighed in exactly the same way, but instead of final delivery being given *ex*-ship, the salt is weighed into the boats and the salt is adulled, *i.e.*, stamped, and the batches are sealed up. The boats are accompanied by Government Churrandars and unloaded at the *golahs*.

President.—Does the Government charge anything for that?

Mr. Bower.—We only charge for the Churrandars services.

President.—What is the ordinary capacity of the boat?

Mr. Fitzgerald.—That again varies from 1,000 to 5,000 maunds.

Dr. Matthai.—What does the Churrandar's charge represent?

Mr. Fitzgerald.—Watchman's pay in charge of the boats. It comes to As. 12 per man per day and As. 12 per man per night—(one man to each boat).

Dr. Matthai.—The actual cost of transporting the salt from the ship to the *golahs* in the lighters is incurred by the bonder?

Mr. Bower.—Yes.

Dr. Matthai.—And this is a charge over and above that which you levy.

Mr. Bower.—Yes. That also is paid by the bonder.

Mr. Mathias.—It may be a different man who has to pay this.

Mr. Bower.—Yes, the man who is finally taking the salt to the *golahs*.

Mr. Mathias.—It is really the importers who bears the charge.

Mr. Bower.—It is not the importers (except in the case of Messrs. Turner Morrison and Company) as he frequently sells the salt to another party.

Mr. Mathias.—It is the party who takes final delivery of salt.

Mr. Bower.—No, it is the party which puts it into the *golahs*. They may put it into the *golahs* for six months. In the meantime it may change hands half a dozen times.

President.—Then it goes into the *golahs*.

Mr. Bower.—Yes.

President.—Then the Government have got their own stevedores, I take it.

Mr. Bower.—Messrs. Bird and Company are the labour contractors.

President.—This is their scheduled rate. Rs. 26 for 1,000 maunds during day and Rs. 22 extra for 1,000 maunds during night.

Mr. Bower.—Yes.

Dr. Matthai.—With whom is Messrs. Bird and Company's contract?

Mr. Bower.—With the Secretary of State.

President.—Is it an annual contract?

Mr. Bower.—I don't think it has been renewed since 1910.

President.—This continues.

Mr. Bower.—Yes, it is a standing contract.

President.—I suppose that must be terminable on six months notice.

Mr. Bower.—I think it is three months notice.

President.—Do you hear of any complaints that the charges are too heavy?

Mr. Bower.—Indirectly we do, but not directly. The only complaint I have heard is from the labour contractors. They say that their labour costs them more and they want these rates to be increased.

President.—We don't know how much Messrs. Bird and Company are paying to their sub-contractors.

Mr. Fitzgerald.—They have no sub-contractors but only sirdars.

President.—Sirdars supply coolies to Messrs. Bird and Company?

Mr. Fitzgerald.—Yes.

President.—Sirdars may be paid by the month which is very unlikely or so much?

Mr. Bower.—They are paid so much per 1,000 maunds.

President.—It is the same thing. They have got sub-contractors. It comes to that surely.

Mr. Bower.—At any rate I have heard more complaints from the labour contractors that the rates should be revised than complaints from the salt traders that the rates charged by Messrs. Bird and Company are too high.

President.—It works out roughly to a little less than one anna a maund.

Dr. Matthai.—That is paid by the party as soon as the salt is transferred to the *golah*.

Mr. Fitzgerald.—It is a direct transaction between the bonder and Messrs. Bird and Company at the scheduled rates.

President.—I suppose for this purpose the weighment on the ship is accepted.

Mr. Bower.—Yes. It is not reweighed, except that we make a check-weighment from time to time of boats and that is done at Government expense. You asked me the other day why it was necessary to weigh *ex*-ship. The reason is for safeguarding the revenue. Even if the salt is going to the *golahs* we make a check-weighment of one of the boats and that is done at Government expense; otherwise weighment *ex*-ship is taken as correct for the quantity of salt put into the *golahs*.

Dr. Matthai.—What is the objection to the party arranging his own labour to take the salt from the lighters into the *golahs*?

Mr. Bower.—It would make the practical work of supervising all that business very much more difficult if we had to deal with peripatetic labour contractors.

Dr. Matthai.—The lighters are there just in front of the *golahs*. The party who has the salt arranges his own labour and the whole thing is almost done under the nose of the Inspector.

Mr. Bower.—If everybody had his own labour it would be difficult to control the labour and the result would be confusion all the time.

Mr. Fitzgerald.—At Budge Budge when they landed oil—I am speaking of the days when I was a young officer—they each had a stevedore. The oil was carried into the works by their own labour. It ended by one bagging the others labour and at the close of each day in interminable strife till the Port Commissioners stepped in and said that they would do the landing themselves. The same thing would happen at the Sulkia *golahs*.

Dr. Matthai.—Doesn't that objection apply to transferring the salt from the ship to the *golahs*? Each bonder makes his own arrangement with a steamer company to transfer the salt from the lighters by the side of the ship into the *golahs*.

Mr. Bower.—The bonder doesn't make that arrangement.

Dr. Matthai.—Who makes it?

Mr. Bower.—It is the boating contractor that transports the lighters but it is Messrs. Bird & Co., who handle the salt from the lighters into the *golahs*.

Dr. Matthai.—That is before that, between the ship and the lighter by the side of the *golahs*.

Mr. Bower.—There is no labour beyond the transport of the lighter from the ship to the pontoons at Sulkia.

Dr. Matthai.—He arranges his own lighter. Doesn't that raise the same objection?

Mr. Fitzgerald.—The unloading should be done by one agency—whoever it is.

Dr. Matthai.—It is easier to control when it is in a lighter?

Mr. Fitzgerald.—Yes.

Mr. Bower.—If we find that the seals are tampered with, we reweigh that boat at the *golahs*. If the re-weighment figures are less than one per cent., we accept the ship's figure; otherwise we accept the re-weighment figures as being the quantity of salt going into the *golahs*. You must remember that we are concerned with the revenue on salt which goes into the *golahs* and we must have the best practical arrangements for supervising the salt going into the *golahs*. If they had a lot of peripatetic labour—under whose control I do not know—there would be interminable confusion.

President.—Yes. Just tell me what difference do you find between the weight on the manifest and the actual weighment done.

Mr. Bower.—Sometimes less and sometimes more. It depends upon the season, etc.

President.—If the excess or deficit exceeds certain percentage is there any penalty?

Mr. Bower.—It is left to my discretion to charge penalty duty on shortages in excess of 1 per cent.

President.—I suppose they are generally within that.

Mr. Bower.—Yes.

President.—Four per cent. is allowed for wastage.

Mr. Bower.—We allow 4 per cent. wastage.

President.—Between the manifest and the actual outturn.

Mr. Bower.—Yes. If it is in excess, we charge duty on the excess quantity.

President.—In the *golahs*, up to the time it is sold, is there any wastage?

Mr. Bower.—Yes.

President.—What wastage do you generally find?

Mr. Bower.—It varies considerably. It averages roughly just under 1 per cent. There may be a lot of wastage if the salt is landed in rainy weather and stored during the monsoon. On the other hand in the dry season there is not so much wastage.

President.—On the whole?

Mr. Bower.—The outturn is extraordinarily good: it is less than 1 per cent.

President.—The Calcutta atmosphere is not very dry except for a couple of months.

Mr. Bower.—In March, April and May it is dry.

President.—But at other times?

Mr. Bower.—The atmospheric conditions are not so important as the different kinds of salts. A certain amount of water may get into the salt during the monsoon.

President.—That is in the *golahs*.

Mr. Bower.—Yes. They only pay duty on the actual outturn. We don't charge duty on the full quantity which goes into the *golahs* but on the quantity which goes out of the *golahs*.

Dr. Matthai.—That depends upon the efficiency?

Mr. Fitzgerald.—Yes.

President.—It is now in the *golahs*. I see Customs also charge overtime. What is that for?

Mr. Fitzgerald.—That is for unloading after 6 p.m.

Mr. Mathias.—You charge for weighing *ex-golah*.

Mr. Fitzgerald.—Yes.

Mr. Mathias.—Is it Rs. 3 for 1,000 maunds?

Mr. Bower.—No, Rs. 8 per 3,000 maunds for the Customs officer and Rs. 2 per 3,000 maunds for the Ghat Muharrir.

President.—Do not the overcharges go to the Customs Recreation Club?

Mr. Bower.—No. Every ship working on a Sunday has to pay Rs. 200.

President.—Does that go to the Club?

Mr. Bower.—Part goes to the Customs Sunday Fees Fund and part goes to charity.

Mr. Mathias.—You say that the charge for weighing is Rs. 8, but I see in the *pro formâ* account an item of Rs. 3 for 1,000 maunds.

Mr. Fitzgerald.—This is the charge made by sirdar weighmen. Here again it varies.

Mr. Mathias.—You do not charge for weighing.

Mr. Bower.—No.

President.—You must insist upon weighment because that is the time when you give delivery?

Mr. Bower.—Yes.

President.—The labour is paid for by the seller or the bonder?

Mr. Bower.—By the person who takes delivery.

President.—But the weighment is actually done by you.

Mr. Bower.—The weighment is supervised by us, but it is done by the bonders' sirdars.

President.—You don't charge anything for that.

Mr. Bower.—No.

Mr. Mathias.—Do you charge for supervision?

Mr. Bower.—We only charge for supervision of weighment *ex-golahs*.

Mr. Mathias.—And not *ex*-ship?

Mr. Bower.—No.

President.—If it is sold up-country, what happens?

Mr. Bower.—So far as we are concerned, they take delivery *ex-golah* either by rail or by river.

President.—What charges are incurred then? Can you tell us?

Mr. Fitzgerald.—Labour charges come to Rs. 24 per 1,000 maunds.

President.—For loading into wagons?

Mr. Fitzgerald.—For loading into scales and then transporting it from the *golahs* to the platform or to the wagon or to the boat.

Mr. Mathias.—Is there any night time charge?

Mr. Fitzgerald.—No.

Mr. Mathias.—Is there any distinction between foreign salts and the Indian or Aden salt in the matter of charges?

Mr. Bower.—None at all.

Mr. Mathias.—The charges are exactly the same?

Mr. Bower.—Yes.

President.—What about sewing and bagging?

Mr. Fitzgerald.—If Messrs. Bird and Company's labour is employed for sewing and bagging the merchant pays at scheduled rates; otherwise he makes his own arrangements.

President.—What is the charge?

Mr. Fitzgerald.—That varies considerably according to whether the bags require single or double stitching.

President.—It is roughly Rs. 4 or Rs. 5 per 1,000 maunds?

Mr. Fitzgerald.—Rs. 2 per 1,000 maunds.

Mr. Mathias.—1,000 maunds or 500 bags?

Mr. Fitzgerald.—Yes.

Dr. Matthai.—Is that for sewing?

Mr. Fitzgerald.—Yes.

Dr. Matthai.—The gunnies are about Rs. 25 per 100.

Mr. Fitzgerald.—Four to seven annas a bag.

Mr. Mathias.—Seven annas for a new bag and four annas for a second-hand bag?

Mr. Fitzgerald.—Thin quality is 4 annas and good quality 7 annas.

Mr. Mathias.—The Bombay salt is put in secondhand bags. Is there any salt imported in bags?

Mr. Bower.—The Bombay salt comes in bags occasionally. We had also one consignment of Karachi salt imported in bags.

Mr. Mathias.—Do you open the bags when you weigh *ex*-ship?

Mr. Bower.—Only a certain percentage of bags is check-weighed.

Mr. Mathias.—Who re-bags the salt?

Mr. Bower.—They take delivery of it in these bags.

Mr. Mathias.—Do you not open the bags?

Mr. Bower.—We do not open the bags. We do not look into the contents.

Mr. Mathias.—You don't open the stitching.

Mr. Bower.—No.

Mr. Fitzgerald.—You asked what charges were incurred when the salt was sold up-country, and I told you that it would be Rs. 24. The merchant does not pay the full amount of Rs. 24. I think that the East Indian Railway pays Rs. 5-4-0 and the merchant Rs. 18-12-0 for 1,000 maunds.

President.—What toll is this that you pay on the river?

Mr. Bower.—Port Commissioners toll is paid on the manifested quantity of salt.

President.—That is Rs. 4-10-0 per 100 maunds—about 9 pies a maund.

Mr. Bower.—Yes. A similar charge is paid on all imported cargo.

President.—The ship has already paid it.

Mr. Bower.—No. The ship pays port dues on her net registered tonnage not on her gross carrying capacity.

Dr. Matthai.—When is the rent of the *golahs* collected?

Mr. Bower.—Monthly.

President.—In the *golah* itself, what charges are there?

Mr. Bower.—Rs. 4-4-0 per 1,000 maunds per month.

President.—If the salt remains on an average for six months in stock, it means Rs. 24 roughly for 1,000 maunds.

Mr. Bower.—Roughly that, because it would incline to be more as they pay rent on the full capacity of the *golah* up to a point.

President.—Your *golah* rent last year was Rs. 1,44,000. Was that for the whole year?

Mr. Bower.—Yes.

President.—For six months it would be about Rs. 75,000.

Mr. Bower.—Yes.

President.—That is what these 23 lakhs have to pay?

Mr. Bower.—Yes. Roughly the rent collected is Rs. 12,500 per mensem.

President.—Roughly it is about half an anna per maund.

Mr. Bower.—Yes.

President.—Now then what formalities have to be followed—the same as on the arrival of a ship?

Mr. Bower.—I don't follow.

President.—When a man wants to take delivery *ex-golah*, he has to follow the same procedure I take it.

Mr. Bower.—He goes to the Custom House and takes out "*ex*-bond" challans or bills of entry which are usually for fairly small quantities. These are sent to the Sulkea *golahs* and he applies for an officer to give delivery from a particular *golah* of 3,000 maunds or less.

President.—Who gives the delivery order?

Mr. Bower.—The bonder.

President.—To the Customs authorities?

Mr. Bower.—Yes, but his representative takes it along and shows it to the Superintendent of the *golahs*.

President.—That is as regards procedure.

Dr. Matthai.—How long have Messrs. Bird and Company held this contract?

Mr. Bower.—Since 1910.

Dr. Matthai. I am raising this question because certain people in the west of India have complained that the labour charges are unduly high. I was wondering whether you had taken any steps to assure yourself that these rates were reasonable rates.

Mr. Bower.—Yes. We have recently turned down an application for a revision of these rates.

Dr. Matthai.—From Messrs. Bird and Company?

Mr. Bower.—Yes. Messrs. Bird and Company's rates compare favourably with those of stevedores, sirkars and others.

President. Let us talk about the credit system a bit. What does this credit system do? As far as I can see, somebody is using Government money.

Mr. Bower.—They get the advantage of six months' credit.

President.—The period of credit is longer as a matter of fact.

Mr. Bower.—It may be renewed, but it is not longer than six months.

President.—Is it six months from the date on which you give delivery or from the date on which the salt is bonded?

Mr. Bower.—It all depends, because different people take credit at different times.

President.—When does the credit begin?

Mr. Bower.- The credit runs from the date on which they open the credit.

President.—That may be renewed. That does not matter. But the man pays in cash, if he has got a credit account, six months after he has taken delivery from the *golah* or the ship as the case may be.

Mr. Bower.—That is right.

President.—What it means is this that he gets a year's credit really speaking.

Mr. Bower.- -I am afraid I don't quite follow.

President.- -First of all he keeps the salt in the Government *golahs*. We assume that the salt remains there for six months.

Mr. Bower.—He has not taken advantage of the salt credit system. That system is to enable him to take immediate delivery of the whole of the salt (provided it is covered by his deposit) in regard to which duty is not realized until six months afterwards. What happens is that he sells his salt to someone else who takes delivery from the *golah* and he is paid by that person in cash for that salt *plus* the duty.

President. -He enjoys all that money for six months. So long as it remains in the *golahs* he does not pay any duty but a man who takes delivery *ex*-ship, his credit begins the day he takes delivery from the agents. The other man on the other hand keeps the salt in bond for a certain period for which period he does not incur any liability for the payment of the duty.

Mr. Bower. -I don't think you are putting forward the actual position. He would not open credit for that salt if it was being taken from the ship for bonding at the *golahs* but only if it was being taken delivery of from the ship or *golahs* for home consumption. An analysis of the credit accounts in the Custom House shows that they actually take delivery within a few days of opening credit.

President.—The whole point is this. Supposing an up-country merchant has got to keep stock for six months he must ordinarily keep duty paid salt whereas this man keeps the stock with you and then six months afterwards he will pay for it.

Mr. Bower.—The other man must renew his credit after six months.

President.- This man can keep the thing and remove it whenever he likes.

Mr. Bower. -If an up-country merchant has not arranged for credit at the Custom House he has no period of credit except that which is allowed by the man from whom he purchases the salt. He is usually allowed a certain amount of rebate, roughly Rs. 2 to 3 per 100 maunds, for cash.

Mr. Mathias.—I think you said that a man can take the salt *ex*-ship on credit?

Mr. Bower.- Yes.

Mr. Mathias.—In that case the up-country man who takes his salt *ex*-ship also has six months credit, has he not?

Mr. Bower.- Yes, he can clear his salt *ex*-ship on opening credit in the Custom House.

Mr. Mathias. - I am an up-country dealer: I have an agent in Calcutta and I open credit at the Custom House. I can take delivery after 6 months or take the salt straight up-country, so that really the difference is not brought about by the credit system because in each case whether you bonded or took up-country you have your six months credit.

Mr. Bower.—They cannot keep their salt in bond locally up-country (except at the Inland Bonded Warehouses) but they can keep their salt in bond in Calcutta for three years.

President.—Do I understand that a man in the mufassal who takes delivery *ex*-ship cannot get any credit?

Mr. Bower.—We have not got any up-country merchants taking credit out at the Custom House, but their local agent in Calcutta can do so. I don't know whether anybody does that on their behalf. We only recognize the man here.

President.—This local broker who has this credit with Government sells to the up-country man but takes cash or perhaps gives him some credit. He gets six months credit from Government; in the meanwhile he gets his cash on hand for credit for an equal amount and he can multiply his credit several times. That is what happens.

Mr. Bower.—Yes, but if an up-countryman has his office in Calcutta he has the same facilities for obtaining his salt without paying the duty as the man in Calcutta.

Dr. Matthai.—There is nothing really to prevent an up-countryman from asking for credit through his agent if he deposits the necessary securities?

Mr. Bower.—As far as I know the credit system is open for adoption in Chittagong. They can take out credit with the local collector of the district for the duty on salt for six months so that really the up-countryman is not in a position of disadvantage as compared with the man in Calcutta. I understand that the trade is usually done by the merchant in Calcutta opening credit and selling his salt to the trader up-country *plus* duty.

President.—I gathered yesterday that in fact each up-country buyer has to have his broker here or indent through some firm and that firm will employ a local buyer. It comes to this that the up-country business will almost invariably be done through a local broker and the local broker gets the credit.

Mr. Bower.—Yes. We should not object to credit being taken out by anybody provided the security is forthcoming.

Dr. Matthai.—One result of the credit system is that the trade tends to pass into the hands of a few large dealers and the small man cannot secure it.

Mr. Bower.—The answer to that is given in this statement (handed in). Various people take out deposit accounts for different amounts. There are about 50 people taking credit, of which 8 have deposited securities to the value of less than Rs. 10,000. There are only 5 depositors of Rs. 5 lakhs and over.

President.—Apparently the banks do this business, do they?

Mr. Bower.—They do business in so far as the banks' deposit receipts are accepted as securities.

President.—I have seen at Sambhar that banks do take out credits.

Mr. Bower.—I can give you a list of the actual firms working under the salt credit system. None of these is a bank.

President.—Would it not be simpler for Government if it wants cash to give a discount for cash—six months discount, 5 per cent. or whatever it is on the duty. Would you not get your money sooner in that way and prevent speculation to some extent?

Mr. Bower.—It would be somewhat difficult to calculate the rebate and I don't think that would in any way affect the retail prices of salt.

President.—Government is losing six months' interest on the duty; you can pay 5 per cent. discount to the man who pays cash.

Mr. Bower.—That is a principle which has not been adopted anywhere to my knowledge.

President.—Nor do I find any Government doing this business.

Mr. Bower.—This system of giving credit was originally started to encourage manufacturers of salt in the Madras and Bombay Presidency I believe.

President.—But it has not worked in that way.

Mr. Matthai.—The real object originally was that the middleman might reduce the price to the consumer, was it not? He is able to pay the duty and he incurs no interest charges, and it was expected that the saving that he made that way would be passed on in the shape of reduced price to the consumer.

Mr. Bower.—It is very difficult to say whether it has been. In the recent enquiry as to whether the period of credit should be reduced from six months to two months, after careful consideration we came to the conclusion that it would not affect the ultimate retail price of salt.

Dr. Matthai.—Therefore it looks as if Government is making a donation of Rs. 12 lakhs every year to the Middlemen!

Mr. Bower.—This arrangement undoubtedly facilitates the whole trade from top to bottom. If this facility was not given a great deal more salt would be bonded and we probably should not be able to find sufficient space to keep this salt. Because they haven't got to pay the duty until six months afterwards, it enables them to go ahead with deliveries much earlier than if they didn't have this advantage.

President.—Can you explain to me why these people have reduced the difference between *ex-golah* and *ex*-ship prices from Rs. 7 to Rs. 3? It really costs them Rs. 7 extra to take to delivery *ex-golah* but they are charging only Rs. 3.

Mr. Bower.—I think it varies with the kind of salt. With Aden and such-like salt the difference is Rs. 3 at present.

Mr. Mathias.—It actually costs Rs. 7 or 8 more to the merchant if he puts the salt into the *golahs* and takes delivery than if he takes delivery from the ship so that the point that puzzles me is why when it costs the importer Rs. 7 he should charge only Rs. 3.

Mr. Bower.—I don't know why this is so. Probably it is controlled by the law of supply and demand.

Mr. Fitzgerald.—The railways bear some of the labour charges; that must be one of the reasons.

President.—It was Rs. 7 before, why should they make it Rs. 3 now?

Mr. Mathias.—The railways have done that all along, haven't they?

Mr. Fitzgerald.—Yes.

Mr. Bower.—It looks as if they were doing it to encourage the bonding of salt.

President.—Would it not be better on the whole if more delivery was taken *ex*-ship?

Mr. Bower.—From our point of view it would because we should get the duty quicker.

President.—And also from the consumers' point of view eventually because it would cost them less.

Mr. Bower.—I don't think so. If you take delivery *ex*-ship you have to pay up the duty and Government would realise the duty under the credit system after six months and somebody would have to bear the brunt of financing the duty for that salt at an earlier period.

President.—If you make the difference Rs. 10 instead of Rs. 3?

Mr. Bower.—The whole idea of bonding is not in any way for the advantage of Government. The system of bonding is entirely a concession for the benefit of the trade. Government is entitled to the duty on goods imported. In order not to force importers to find the duty immediately on arrival of large consignments and in order to facilitate trade, Government have undertaken to store the salt in bond. That is the principle of bonding. Government make nothing out of it and lose the interest on the duty outstanding.

President.—The expenses work out to nearly As. 2 a maund for bonding.

Mr. Bower.—But the salt must be stored somewhere.

President.—Quite true. As. 2 a maund is a very heavy charge compared to the price of salt.

Mr. Bower.—Against the loss of interest by Government have you set off the advantage to the consumer?

President.—What loss does Government incur?

Mr. Bower.—They pay duty, not on the quantity of salt which goes into the *golahs*, but on the quantity of salt which goes out.

President.—If that is done, it adds As. 2 every time.

Mr. Bower.—You must set off against that As. 2 the other items, *viz.*, cheap storage, interest on duty unpaid and remission of duty on wastage in bond.

President.—It becomes of importance when you compare the cost of the rail-borne salt with the sea-borne. There what would happen is the stocks would be kept in the works simply. There will be no locking up of any freight on it or any duty or anything at all. A man simply takes 5 or 10 wagons from the works and all the money that is locked up will be for 10 or 15 days during transit whereas he will get 6 months credit which is ample for practical purposes and he would save this As. 2 a maund.

Mr. Bower.—Some of the As. 2 would still be required.

President.—This As. 2 is absolutely wasted compared to the rail-borne salt, because there is no handling at all from the works to the wagon and from the wagon to the destination.

Mr. Bower.—The salt works in the Madras Presidency and Bombay Presidency have the advantage over imported salt to that extent.

President.—Take the salt that goes from here up-country. They have got to pay all the sea freight and loading at that end and the freight and unloading charges and so on. By the time it is railed, the charges would come to about As. 8 a maund.

Mr. Bower.—Probably it would be much more expensive to bring salt by rail.

President.—We are investigating that. Rail-borne salt has an advantage of As. 8 already compared to sea-borne. There is not much room for mechanical appliances for unloading or anything like that?

Mr. Bower.—We have frequently considered the possibility of mechanical appliances, but where labour is cheap, it is not a practical proposition.

President.—The tonnage is big enough.

Mr. Bower.—The tonnage may be big enough, but with the necessity of having to store in the various *golahs* and of keeping the salts separately, you would have to have very complicated mechanical appliances.

President.—You must arrange for the ship to come alongside the *golahs*.

Mr. Bower.—Yes.

President.—That you cannot have. It is more or less out of the question.

Mr. Bower.—That very question has been under the consideration at Chittagong. It was proposed to have a ropeway. The same thing was discussed at Karachi also I believe.

President.—You cannot have the *golahs* alongside, because it will lock up the port's space.

Mr. Bower.—At Chittagong the *golahs* are at some distance away from the ordinary jetties.

President.—Can the ship get alongside?

Mr. Bower.—Yes. They don't because they don't very often take a full cargo of salt. They have got general cargo as well.

Mr. Mathias.—No ship can come alongside in Calcutta, because there is the question of the bridge.

Mr. Bower.—It is not a question of the bridge. A small ship can come alongside the *golahs*, but it would not be a practical proposition. You have got so many steamers working and if you put the small steamers alongside the *golahs* they would interfere with the whole trade.

In dealing with the question of the cost of freights and so on salt, there is one point which I consider should not be lost sight of and that is the freight space. If you, say, brought a large quantity of salt from Karachi to replace foreign salt, you would have a lot of space in steamers coming to Calcutta to take away jute, gunnies and so on, coming out empty. Naturally the rates of freight for export cargo would be raised.

President.—It is not our province to go into all those indirect consequences. We are only concerned with what would happen to salt.

Mr. Mathias.—The immediate result would probably be that the tramp steamers at present taking Aden salt would be diverted to Karachi and then come out to Calcutta and take your jute and go back again.

Mr. Bower.—A considerable quantity of salt comes in liners.

Mr. Mathias.—We were told in Bombay that practically the whole of the salt traffic is in tramp steamers and that the diversion from Aden or Karachi or Okha is so slight that any tramp steamer would take a full cargo of salt.

Mr. Bower.—That might be so.

* *President.*—Mr. Fitzgerald, I think you can tell the different kinds of salt by looking at them.

Mr. Fitzgerald.—I shall try.

President.—Look at No. 1 first.

Mr. Fitzgerald.—It is much like Hamburg fine, but it is not.

President.—Why?

Mr. Fitzgerald.—It is a little more pink than Hamburg salt. I have seen a like sample of Karachi salt.

President.—Do you think it is Karachi salt?

Mr. Fitzgerald.—Yes.

President.—Take No. 2.

Mr. Fitzgerald.—This is much like Hamburg Vaca.

President.—Is it?

Mr. Fitzgerald.—It is not Hamburg Vaca.

Dr. Matthai.—Why is it not Hamburg Vaca?

Mr. Fitzgerald.—There is not the kind of lustre which the Hamburg Vaca has. Hamburg Vaca is like Liverpool except that the crystals are very much smaller.

President.—Do you think that it would pass as Hamburg Vaca?

Mr. Fitzgerald.—Yes, it would pass off.

President.—Take No. 3.

Mr. Fitzgerald.—This is like Karachi Grax salt.

President.—Take No. 4. Is this salt sold in this market?

Mr. Fitzgerald.—It is difficult to say. It is like Gourishanker's salt.

President.—Is it inferior to Aden?

Mr. Fitzgerald.—Aden grain is larger.

President.—As regards the colour and the rest of it?

Mr. Fitzgerald.—Colour is a little bit darker. This is brownish. The colour of Indo-Aden and this is almost similar, but the grains of Indo-Aden are very much larger.

President.—Which would you prefer?

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* See note on page 622 at commencement of the oral evidence taken in Calcutta.

Mr. Fitzgerald.—I would prefer No. 4.

President.—Please see No. 5.

Mr. Fitzgerald.—This is also very much like Hamburg fine, but there are some grains which are uncrushed.

President.—You don't think that it is Hamburg fine.

Mr. Fitzgerald.—The Hamburg fine is not like this.

President.—You merely go by the grain.

Mr. Fitzgerald.—Yes.

President.—If you don't attach importance to the grain, you may take it as Hamburg fine. As far as I can see, the principal test is the grain.

Mr. Fitzgerald.—Yes and the colour.

President.—But the colour is already here.

Mr. Fitzgerald.—The colour is quite all right.

President.—So it is the grain?

Mr. Fitzgerald.—Yes.

President.—The grain of course in some cases you can modify. It depends on what sort of mill you use.

Mr. Fitzgerald.—Yes.

President.—So that really the grain is not a test.

Mr. Fitzgerald.—It would be from what I have been told by Gourishanker himself. The men in the districts where he has been selling told him that they want something to be crushed between the jaws.

President.—Look at No. 6. This is also very much like Hamburg fine.

Mr. Fitzgerald.—It is a good quality of salt.

President.—You don't think it is Hamburg.

Mr. Fitzgerald.—No.

Mr. Fitzgerald.—No. 7 is also like Hamburg fine.

President.—What is the difference between this and Hamburg?

Mr. Fitzgerald.—There are less uncrushed grains.

Dr. Matthai.—It is slightly less white.

Mr. Fitzgerald.—It is quite white.

President.—Just as good as Hamburg?

Mr. Fitzgerald.—Yes.

President.—Is it better?

Mr. Fitzgerald.—It is quite good.

President.—You say that it is not Hamburg because of the grains.

Mr. Fitzgerald.—The grain is also fine.

President.—What salt is it? Have you seen this salt before or not?

Mr. Fitzgerald.—I have seen samples very much like this but I don't think that we have stored this kind of salt.

President.—What kind of salt?

Mr. Fitzgerald.—It is very much like Hamburg salt. The grains are fine and the colour also is white.

President.—Look at this (No. 8).

Mr. Fitzgerald.—This is like our Hamburg Vaca.

President.—Could it be Hamburg Vaca?

Mr. Fitzgerald.—It is possible.

Dr. Matthai.—Hamburg Vaca is the best Hamburg salt.

Mr. Fitzgerald.—Yes.

Dr. Matthai.—What is this (No. 9) salt like?

Mr. Fitzgerald.—This is crushed much finer than Hamburg Vaca or Hamburg fine.

President.—What is it? Will it pass for Hamburg?

Mr. Fitzgerlad.—Quite easily.

Dr. Matthai.—Might it be Liverpool?

Mr. Fitzgerald.—It is not Liverpool.

President.—You think that it is better than Hamburg.

Mr. Fitzgerald.—Yes.

President.—When you say that it is better than Hamburg, I take it that it is better than the rest except Liverpool.

Mr. Fitzgerald.—Yes.

President.—Try this salt (No. 10).

Mr. Fitzgerald.—We have nothing like this coming here.

President.—What is it like?

Mr. Fitzgerald.—It is like table salt. It is extremely dry.

Dr. Matthai.—You think that it might be table salt.

Mr. Fitzgerald.—Yes.

President.—Do you think that this kind of salt cannot be produced in India?

Mr. Fitzgerald.—I have no idea of salt manufacture.

President.—You have never seen that kind of salt coming here?

Mr. Fitzgerald.—No.

President.—Can you say what this salt (No. 11) is?

Mr. Fitzgerald.—This is fine salt. There is a bit more lustre in this than in the other varieties I have seen.

President.—What do you think it compares with?

Mr. Fitzgerald.—Except that the grains are very much finer, it is almost as good as Cheshire. The grains are a bit finer.

President.—It is for that reason that you say it is not Cheshire salt.

Mr. Fitzgerald.—Yes.

President.—Would the Cheshire salt with some moisture look like this?

Mr. Fitzgerald.—Neither the feel nor the look tends to show that it is Cheshire salt.

President.—Otherwise?

Mr. Fitzgerald.—It is quite good.

President.—Can it sell in competition with the Liverpool salt more or less?

Mr. Fitzgerald.—I could not say that. But it is very fine salt. As regards No. 12, it looks very much like Hamburg brine salt.

President.—That is inferior to Hamburg Vaca.

Mr. Fitzgerald.—Hamburg brine is much like Liverpool except that it has not as much shine in it as there is in Liverpool. This is full of moisture.

No. 13 is like fine white Cheshire salt.

President.—Is it not Cheshire salt?

Mr. Fitzgerald.—No, the grain is not.

President.—Would it sell in competition with Liverpool?

Mr. Fitzgerald.—It has all the whiteness of the Hamburg salt with a distinctive feature as compared with Liverpool.

No. 14 is fine salt and dry. But it is not Liverpool.

President.—Why?

Mr. Fitzgerald.—Because it is powdery.

President.—Is not that better? Perhaps there is no bite in this salt.

Mr. Fitzgerald.—It is good quality salt.

President.—Will you pass it as Hamburg?

Mr. Fitzgerald.—Yes.

President.—Is it Hamburg?

Mr. Fitzgerald.—No.

President.—Is it Hamburg Vaca?

Mr. Fitzgerald.—No.

President.—But it is equal to that.

Mr. Fitzgerald.—In colour and in grain. I think it is not as moist as Hamburg Vaca.

President.—It is not too moist.

Mr. Fitzgerald.—No. It is very powdery.

President.—It is only to that extent that it is inferior.

Mr. Fitzgerald.—It will pass for Hamburg Vaca.

President.—Would it?

Mr. Fitzgerald.—Yes, I think so.

President.—Then, it is superior to Spanish and to all other salts.

Mr. Fitzgerald.—I don't think that it is superior to fine white Cheshire salt.

President.—It is only to that salt this is inferior?

Mr. Fitzgerald.—Yes.

सत्यमेव जयते

GOVERNMENT TEST HOUSE, ALIPORE, CALCUTTA.

Evidence of Mr. N. BRODIE, Superintendent, Government Test House, Alipore, recorded at Calcutta on Friday, the 24th January 1930.

President.—Mr. Brodie, this report of yours is very interesting. Have you made any attempt to classify it?

Mr. Brodie.—Yes. There is one point about these analyses that ought to be explained. The amount of sodium chloride reported in an analysis of a sample of salt depends upon the actual method of calculation the analyst uses. On the same analytical figures two men might report differently the percentage of sodium chloride.

President.—What is your method?

Mr. Brodie.—We calculate all the bases other than soda, that is to say, all the calcium, magnesium and so on, as chlorides and all the acids other than hydrochloric acid that is in practice sulphuric acid, as sodium sulphate. But some analysts calculate the sulphate as calcium sulphate and that affects the result quite appreciably. I have got here the fine white Cheshire salt calculated in both ways and it makes a difference of about one per cent. in the sodium chloride content.

President.—These analyses are very different from the other analyses that we have seen.

Mr. Brodie.—That is the explanation.

Dr. Matthai.—What are we to take? When we compare one class of salt with another, we have got to take your own figure.

Mr. Brodie.—A uniform basis of some kind. If you are going to put it in administrative rules, it may make a lot of difference, because fine white Cheshire salt, for example, is 97 per cent. on the one basis and 98 per cent. on the other.

President.—We must follow a uniform practice.

Mr. Brodie.—I think the method we adopted is the simplest to understand and the simplest to calculate.

President.—We have got the Government analyses.

Mr. Brodie.—I haven't seen them.

President.—In prescribing the rules first of all you will have to prescribe the method of analyses. That is one thing.

Mr. Brodie.—Yes.

President.—I think you had better tell us what that method ought to be. You can write a note on that.

Mr. Brodie.—Yes.

President.—That would apply to all the chemical contents.

Mr. Brodie.—It applies all through.

Dr. Matthai.—It applies to calcium chloride, magnesium, and sodium sulphate, but the sodium chloride would not be different, would it?

Mr. Brodie.—Here is an example calculated in both ways (statement handed in). That is the Cheshire one.

President.—Would it not be better if they follow generally the other method?

Mr. Brodie.—Some people use one and some another. It is a question of convention.

President.—Which do you think would lend to greater accuracy, supposing we were to prescribe the rules?

Mr. Brodie.—The first one lends itself to greater convenience, because it is simple to define and to calculate and also because so far as accuracy goes, it expresses the facts more nearly. For example, the second method of calculation assumes a certain amount of calcium sulphate present in the salt which doesn't seem likely because calcium sulphate is almost insoluble in water.

President.—Calcium sulphate is gypsum, is it not?

Mr. Brodie.—Yes.

President.—Instead of giving calcium sulphate, you work it into sodium sulphate.

Mr. Brodie.—Yes. Analytically we can only determine the bases, that is to say, soda, lime and magnesia and the acids and you have to fit them together according to your own ideas on the subject.

President.—Moisture is the same.

Mr. Brodie.—Yes.

President.—Insoluble matter is the same.

Mr. Brodie.—Yes.

President.—Calcium sulphate increases by ·12.

Mr. Brodie.—There is no calcium sulphate by the first method; it is calcium chloride.

President.—Calcium sulphate consists of what.

Mr. Brodie.—In the one case calcium is assumed to be present as the chloride. In the second case, I take it, it is calculated as sulphate until all the sulphate is exhausted and the balance of the calcium is taken as chloride.

President.—Is it like hydrochloric acid or what?

Mr. Brodie.—Sodium sulphate is what we used to know as Glauber's salt in the chemical enquiry.

President.—Sodium sulphate also contains a certain amount of calcium chloride.

Mr. Brodie.—In the analysis sodium sulphate is the pure salt.

President.—But it is a very good thing to have it.

Mr. Brodie.—Yes, I suppose it is.

President.—But the objectionable thing is the calcium sulphate.

Mr. Brodie.—Yes. According to our view of the matter it doesn't exist actually. I feel very doubtful about it.

President.—You have got calcium sulphate 1·26 here.

Mr. Brodie.—Yes.

President.—What have you done with it in your analysis?

Mr. Brodie.—I have got a certain amount of calcium to account for and a certain amount of sulphate to account for. The calcium is calculated as calcium chloride and the sulphate as sodium sulphate.

President.—Calcium chloride is 1·05 per cent. and sodium sulphate 1·31 per cent. and the total comes to 2·36 per cent.

Mr. Brodie.—Yes.

President.—That resolves here into calcium sulphate 1·26 and sodium chloride increases.

Mr. Brodie.—Yes, by about one per cent.

President.—And the rest becomes calcium chloride.

Mr. Brodie.—Yes.

President.—There is no magnesium sulphate.

Mr. Brodie.—Not in that particular one. In other samples we have a lot of magnesia.

President.—But you put it in with the sodium sulphate.

Mr. Brodie.—In the case of magnesium salts the same principle applies.

President.—Which is the more ordinary method?

Mr. Brodie.—I don't know.

President.—Which would you prescribe?

Mr. Brodie.—The first method.

President.—You might be consulted about these rules. If this thing goes through, in that case you will recommend the first method.

Mr. Brodie.—Yes. It doesn't make much difference which method you adopt, so long as the standard of purity is defined accordingly. If I were asked to define the quality of salt on the basis of these figures, I should say 97 per cent. on the first basis or 98 per cent. on the second basis.

President.—In describing the purity the first thing you will take is sodium chloride content.

Mr. Brodie.—Yes, on the dry basis.

President.—That is to say, you will take it at 140° centigrade.

Mr. Brodie.—Yes, to get rid of the moisture. The customer wants as much sodium chloride as possible and dislikes moisture. I find in spite of the differences in the previous history of salt, which must affect the moisture content a lot, there is an extraordinary parallelism between the purity of the salt and the moisture content. If you go through all the analyses, you will find that the moisture varies with the impurities present.

Dr. Matthai.—Varies in the sense that if there is more moisture, there is less impurity.

Mr. Brodie.—It is the other way about.

Dr. Matthai.—Let us take the first group—1 to 5.

President.—What arrangement should we follow as regards these salts?

Mr. Brodie.—You can go on the basis of purity.

President.—Let us determine what that is. First is sodium chloride.

Mr. Brodie.—Yes.

President.—You suggest 97 per cent. for the best.

Mr. Brodie.—Yes, 97 per cent. on the basis of these figures. The rest follows automatically. As long as you stick to a high percentage of sodium chloride, the salt is sure to be a good one.

President.—It may not fulfil the colour test.

Mr. Brodie.—I am talking purely of analysis now. As far as analysis is concerned, I cannot say on the basis of any figures that we have at present that it is necessary to do more than say that the sodium chloride should be 97 per cent. on the dry basis.

Dr. Matthai.—If there is more magnesium chloride, it is inferior salt.

Mr. Brodie.—It does not seem to be so from these figures.

Dr. Matthai.—If you take the inferior Indian salt like Tuticorin and Bombay karkatch, you will find a very high percentage of magnesium chloride.

Mr. Brodie.—They go out on the purity basis anyhow.

Dr. Matthai.—That is true.

President.—Supposing we took 97 per cent. sodium chloride for the best quality, how much would you allow for others?

Mr. Brodie.—I leave that to follow necessarily. You cannot have more than 3 per cent. impurities. I will go further and say that it restricts the moisture because sodium chloride is not hygroscopic which the impurities are.

President.—If we said 97 per cent. sodium chloride apart from other impurities, would it be all right?

Mr. Brodie.—The only thing I can think of which is important is the nature of the insoluble matter. I should think that it would be very harmful

to have sand, for example, as an impurity. Except in No. 11 which contains some pieces of brick from the godown, all contain very fine insoluble matter which is not very harmful or in other words is clayey in nature. I should say that the insoluble matter must be free from coarse particles.

President.—After allowing 97 per cent. for sodium chloride, what would you do?

Mr. Brodie.—It is a question of limiting the insoluble matter. I see that it does not seem to vary in any direct way with the quality of the salt. Hamburg vaca which is a good salt contains 0·45 insoluble matter.

Dr. Matthai.—This insoluble matter would be reflected in the colour.

Mr. Brodie.—Yes, if it is dark in colour. If the colour is measured it will automatically prevent the salt being dirty.

Dr. Matthai.—Supposing there is a salt which satisfies 97 per cent. sodium chloride test and at the same time satisfies the colour test, that is all that you want.

Mr. Brodie.—And the sieving.

Dr. Matthai.—It is not necessary to consider separately the insoluble matter.

Mr. Brodie.—I am inclined to think not.

Mr. Mathias.—You exclude the moisture before you calculate the percentage of sodium chloride.

Mr. Brodie.—Yes. Fine white Cheshire contains 97·8 per cent. on the dry basis. The other good salts contain much more.

Mr. Mathias.—Will any of these be excluded on the 97 per cent. basis?

Mr. Brodie.—Yes.

Mr. Mathias.—Which of these will be excluded?

Mr. Brodie.—On the basis of the suggestions I have drawn up, only two salts are accepted altogether. On the basis of the analysis only, Hamburg Vaca, Fine White Spanish, Fine White Cheshire, Roumania Fine, Hamburg Fine, Port Said crushed, Little Aden Kurkutch, Hamburg Rock and Khewra will be accepted.

President.—Would you not prescribe the minimum quantity of moisture?

Mr. Brodie.—I don't think we can do that. It depends on the season of the year and other accidental circumstances.

President.—You will have to add the sodium chloride content to the moisture.

Mr. Brodie.—Nearly that, but not quite. Take the sodium chloride content, multiply by 100 and divide it by 100 *minus* the moisture content.

Mr. Mathias.—All the Aden salts go out, and all the Indian salts go out except Khewra.

Mr. Brodie.—Yes.

President.—Grax is very close to it.

Mr. Brodie.—96·26 on the dry basis, but it does not make much difference because that particular salt goes out on the colour test.

Mr. Mathias.—Why do you adopt 97 per cent.? What is the reason for adopting 97 per cent. as the content of sodium chloride?

Mr. Brodie.—I go merely by the results we have obtained. It is only a tentative suggestion.

President.—What we should like to do if possible is to have two grades—table salt and white crushed salt. Otherwise it would mean three grades.

Mr. Brodie.—Three grades including the admittedly poor salt such as Bombay kurkutch?

President.—Leave out Bombay kurkutch.

Mr. Brodie.—I suggest that there should be two grades, one containing 97 per cent. and another containing 95 per cent. which brings in a lot. Anything under 95 per cent. is a very poor salt.

Mr. Walker.—The first test admits only two of the salts in the market.

Mr. Brodie.—Yes, the complete specification.

Mr. Walker.—That is very stringent.

Mr. Brodie.—I don't think that it is very stringent. Most of the salts I have got are obviously off colour.

Mr. Walker.—Which salts are you referring to?

Mr. Brodie.—Fine white Cheshire and Hamburg Vaca.

President.—What about them?

Mr. Brodie.—I was saying that if my suggestions were accepted only those salts would be accepted.

Mr. Mathias.—What about Khewra?

Mr. Brodie.—I understand that the market does not like rock salt. It has to be crushed and sifted.

President.—The grinding test must be such as would not exclude too many salts merely on that. Except in the case of Cheshire and Hamburg Vaca where they use the boiling process, you cannot have the same fineness.

Mr. Brodie.—That is so, but a first class table salt is admittedly one which is fine in texture.

Dr. Matthai.—These percentages—97 and 95—are for superior first class salts.

Mr. Brodie.—For first and second class respectively.

Dr. Matthai.—Take the Aden salts. They would be excluded, would not they? Take No. 7 for example.

Mr. Brodie.—That is 96·26. That would be second class.

Mr. Walker.—Is that simply on the analysis basis or on the colour basis?

Mr. Brodie.—On the analysis basis.

President.—First we have to take the chemical test.

Mr. Brodie.—On the chemical test my first grade passes about half of them and the second grade passes all but two.

Mr. Mathias.—Which are those two?

Mr. Brodie.—Tuticorin and Bombay kurkutch.

President.—Tuticorin and Bombay kurkutch we are not concerned with just now.

Mr. Brodie.—Quite so.

Dr. Matthai.—97 per cent. would include Cheshire and Hamburg Vaca.

Mr. Brodie—Yes, and several others as far as the analysis is concerned. Whether the others fail is on the ground of fineness.

President.—First of all on the chemical analysis test, which ones will come in under the first grade?

Mr. Brodie.—Hamburg Vaca, Spanish White, Cheshire, Hamburg Fine, Port Said Crushed, Roumania, Little Aden kurkutch, Hamburg rock and Khewra.

Dr. Matthai.—That would be rather a violent departure from the trade practice, that is to say, as far as we can gather from those people, Cheshire stands by itself.

Mr. Brodie.—On other grounds.

Dr. Matthai.—First we eliminate the salts on the chemical test and then we apply the other tests.

Mr. Brodie.—Yes.

Dr. Matthai.—If a salt goes out on the chemical test, it cannot be brought in on any other. If a salt is brought in under the chemical test, it may be excluded under other tests, is not that the position?

Mr. Brodie.—That is the position. Little Aden kurkutch goes out on the test of colour.

President.—You would not prescribe any minimum quantities as regards the other chemicals.

Mr. Brodie.—No.

President.—Would you not limit the amount of magnesium chloride?

Mr. Brodie.—No.

President.—In the second grade salt where the sodium chloride content is 95 per cent., there is room for a good deal of magnesium chloride. In one particular salt it may be all insoluble impurities.

Mr. Brodie.—Unless there is evidence that magnesium chloride is quite harmful, I don't see any particular reason why it should be excluded. It is harmful in this way that it absorbs moisture.

President.—The only thing is that if there is too much of magnesium chloride they may not be able to grind it.

Mr. Brodie.—Because it is too damp.

President.—Yes.

Mr. Brodie.—I imagine in practice it does not matter whether it is magnesium chloride or anything else. A lot of magnesium chloride must be there because it is present in the sea brine. If you look at the analysis, you will see that the quality of the salt depends on the total impurities more than on any particular one.

President.—Can you say whether magnesium chloride is much harder than any other.

Mr. Brodie.—No.

President.—As regards its action, for instance, on the rollers?

Mr. Brodie.—I am not aware of that. It is not my province.

President.—I do not know whether it is true or not.

Mr. Mathias.—Has it got any chemical action?

Mr. Brodie.—Not more than other salts.

Mr. Mathias.—The difficulty in grinding appears to arise not on account of the action of magnesium chloride on steel but because it absorbs the moisture and is therefore inclined to clog the machine.

Mr. Brodie.—Yes.

President.—Sodium chloride is itself moist.

Mr. Brodie.—Broadly speaking it is not. Look at No. 11 which contains nearly 100 per cent. sodium chloride. The result is moisture content is almost *nil.*

Dr. Matthai.—This is true with regard to rock salts. Take Rumania for instance.

Mr. Brodie.—That is crushed salt. Take another salt—Hamburg rock (No. 16).

Dr. Matthai.—Moisture is 0·18.

Mr. Brodie.—The moisture is more but still low.

Dr. Matthai.—That applies to Khewra (No. 18).

Mr. Brodie.—Yes.

President.—In No. 18, there is magnesium chloride. We never knew that.

Mr. Brodie.—Some people would say that it is magnesium sulphate.

President.—When it is stored can it develop any magnesium chloride?

Mr. Brodie.—No. The only thing that happens is that it takes up water.

President.—In some cases there is magnesium chloride and in some there is not.

Mr. Brodie.—That is a fact which applies to all salts. It does not mean that all fine white Cheshire is equally good.

President.—Therefore you have to strike an average.

Mr. Brodie.—Quite so.

President.—Might not 97 per cent. be too high for the average?

Mr. Brodie.—It may be too high.

President.—There is no objection to that. But what we want to do is that we do not want to exclude the average salt. We may get a better quality salt at the same price.

Mr. Brodie.—I know. I admit that the figure of 97 per cent. must be necessarily a leap in the dark because my whole experience of salt is confined to these analyses. I thought that 97 per cent. would be about the figure. If we were to put in 96 per cent., it would bring in inferior salt.

President.—97 per cent. you think ought to be the limit for the first grade?

Mr. Brodie.—Yes.

President.—As regards the other impurities, you won't prescribe any separate test.

Mr. Brodie.—No, except that it should be laid down that the insoluble matter must be free from coarse particles.

President.—Coarse particles are insoluble matter?

Mr. Brodie.—It may contain coarse particles. What I am afraid of is getting gritty stuff in. It may be purely an academic objection.

President.—A man might just put in, say, 2 per cent. of powdered stone.

Mr. Brodie.—I understand rock salt is found stratified with other rocks. You may get particles of stone with it.

Dr. Matthai.—That would be a test that you would lay down for the first class?

Mr. Brodie.—Yes.

Dr. Matthai.—You would make no such stipulation for the second class?

Mr. Brodie.—If it is used for table purposes, yes.

Dr. Matthai.—You would make no such stipulation about the third class?

Mr. Brodie.—If third class salt is not being defined at all we can't make any stipulation. I understand that the third class is just the residue of the other two. Every other salt comes in under the third class.

President.—According to this analysis, do you think there is anything in these inferior quality salts, *e.g.*, Bombay and Tuticorin salt, which is deleterious to health?

Mr. Brodie.—Not as far as I know. The only thing one can say is that there is a lot of stuff in it which can be described in general terms as dirt.

Dr. Matthai.—If you add 1·5 per cent. of mud would it do any harm?

Mr. Brodie.—That is for the medical profession to decide!

President.—That disposes of the chemical part. Then we have got to eliminate some of the salts on other grounds, *e.g.*, colour.

Dr. Matthai.—What is your colour test with regard to Class I.

Mr. Brodie.—The colour must not be more than ·2 under the Lovibond system with any glass.

President.—Supposing we had ·3 of one and ·1 of another?

Mr. Brodie.—It would fail. When matched with the red, blue and yellow glasses no single glass must be deeper than ·2.

President.—Does it come to the same thing that no one colour should be more than ·2?

Mr. Brodie.—Yes, except that you have to put it in some formal way because the colours of this instrument are entirely arbitrary.

President.—This Karachi Grax will then go out?

Mr. Brodie.—It can be made ·3 instead of ·2.

President.—If you have ·3 how are the Aden salts to come in? Let us take a little Aden kurkatch and see what it looks like.

Mr. Brodie.—The colour must be shown on the ground sample. You take this Khewra salt in big lumps; it is pink but the finer you grind it the whiter it goes. You must lay down in the regulations that some such procedure should be followed.

Dr. Matthai.—If you lay it down you will have to say "to be ground to such and such a degree of fineness".

Mr. Brodie.—It must be laid down.

Dr. Matthai.—Would it not be better to dissolve it in water?

Mr. Brodie.—We tried that but you can't see any definite colour then.

President.—Then you must prescribe the grinding test.

Mr. Brodie.—Yes, as Dr. Matthai has said, we must say that the ground salt must pass through a certain sieve.

Dr. Matthai.—Surely Hamburg fine on your colour test must be better than Hamburg Vaca ?

Mr. Brodie.—Yes, one would think so. But between ·1 and ·05 the difference is so little that it is not worth taking into consideration.

President.—Do you think that any salt which shows more than ·2 of any colour should go out?

Mr. Brodie.—Yes, that is for the first class salt.

President.—Now as regards this Karachi Grax could you bring this salt up to the first grade by doing anything?

Mr. Brodie.—All the finest salts are prepared by boiling. I very much doubt whether the same colour could be got by any other means.

Mr. Mathias.—Would you exclude any salt that is above ·2?

Mr. Brodie.—The highest should be ·2.

Mr. Mathias.—That would exclude Cheshire.

Mr. Brodie.—The highest coloured glass is not more than ·2 whatever the others are.

President.—It would exclude Spanish white too?

Mr. Brodie.—It excludes that easily.

President.—There are only four salts which come under the first class—Hamburg, Cheshire, Khewra and Roumania; others are all second class.

Mr. Brodie.—Yes.

President.—How can we get a uniform quality? What it comes to on this analysis is this, that you have got this Hamburg fine and Hamburg Vaca, Cheshire, Khewra and Roumania.

Mr. Brodie.—Nobody can deny that by looking at them casually that these are the outstanding salts in colour.

President.—Yes. As regards the others we have got to do two things; they must be sold as one quality salt.

Mr. Brodie.—Of the second class.

President.—Yes. So would the first class too. We want two grades; how can we make them uniform within the grade itself?

Mr. Brodie.—As far as the first class is concerned if you make the definition stringent the difference will automatically be small.

President.—The whole thing is that the differentiation must be so slight in the market that one would be taken for the other. Can you by prescribing any sieve test or colour test make them look more or less uniform?

Mr. Brodie.—I think so. The sieve test is the essential part of it.

President.—In the sieve test did you take the original salt or did you take the crushed salt?

Mr. Brodie.—We took them just as they were sent.

President.—You suggest that any salt which shows more than ·2 of any colour is second class?

Mr. Brodie.—Yes. It might be ·3 depending on what the judgment of the market is.

President.—If you allow ·3 then the chances of uniformity decrease and therefore it is much better to prescribe this lower limit.

Mr. Brodie.—I think so. I think the difference between ·2 and ·3 is the difference between what a man will call white and what he will call coloured.

President.—Therefore you will leave it at ·2 for the first grade?

Mr. Brodie.—Yes.

President.—Then the next grade what will it be?

Mr. Brodie.—That is more difficult. I don't quite know which of these are accepted as second class in the ordinary market.

President.—As a matter of fact as far as the market is concerned Khewra salt has not been put in. But as regards the other two kinds, the market does accept them as better salt and the rest are second class, but within the second class there are gradations which we want to abolish.

Mr. Brodie.—In the Bombay kurkutch we have an example of bad salt.

President.—Bombay and Tuticorin we are not concerned. Tuticorin is not so easy to eliminate on the colour test. Tuticorin and Aden is much about the same.

Mr. Brodie.—There must be some typing error. Tuticorin and Massowah are not the same. I shall look into that.

President.—Having fixed the upper limit what about the second grade? How many can you put in?

Mr. Brodie.—It looks as if the limit for the second one ought to be given somewhere about ·7.

President.—Indo-Aden fine is really very good. Supposing we were to have three groups, Bombay, Tuticorn and Kurkutch apart, how do you group them then?

Dr. Matthai.—That is to say, you will have to form two groups for class II.

Mr. Brodie.—The question of colour is very difficult. The coarse salt looks dirtier than the fine salt. It looks very unattractive anyhow.

President.—I think the best thing will be to arrange them in some order. Aden fine, for instance is ·4. Both the Indian salts are better. Then the Okha salt is much better than Aden.

Mr. Brodie.—This fine Aden salt looks very different.

President.—Of course Aden kurkutch when it is crushed it may be very different. It is ·2 and ·3.

Dr. Matthai.—Okha is better than Aden even uncrushed.

Mr. Brodie.—These are all crushed. The crushing is all right for the first quality but it makes a difference in regard to the second quality and I see no means of measuring it.

President.—As regards kurkutch you will have to go on the chemical analysis, I think. You will have to arrange it in the order of quality on the three tests.

Mr. Brodie.—I can do that.

President.—Are you prepared to give the maximum limit for the second class?

Mr. Brodie.—On the sieve test?

President.—Colour test.

Mr. Brodie.—I am not prepared to give it off-hand. A sharp line of demarcation comes in between 2nd and 3rd.

President.—You put them more or less in the same grade and then make the sieve test more stringest, so that they may look more or less alike.

Mr. Brodie.—On the analyses we should get quite consistent results. The only thing that strikes me about the colour test that ·7 is somewhere about the limit. The Tuticorin figures which may require to be revised seem to indicate that ·7 is too generous.

President.—It is the yellow which makes it look dirty.

Mr. Brodie.—Yellow has certainly a lot to do with it.

Mr. Walker.—Would it be possible for you to do that for your uncrushed salt? I mean the colour test.

Mr. Brodie.—It would be better if I went through them again to see whether I could do anything as regards the uncrushed salt about the colour test.

President.—If you had different grades for the same quality of salt the colour would look different.

Mr. Brodie.—Yes.

President.—Therefore the sieve test must be such that the quality must be made to look more uniform.

Mr. Brodie.—The sieve test is more easy in the first quality. As regards second quality it is very difficult.

President.—Take the Grax which is the finest, I think, of the whole lot of the Indian quality. Khewra you cannot take, because we have ground it. Grax is No. 10 (sample shown).

Mr. Brodie.—It is much the finest of the Indian.

President.—It is easy to attain that quality.

Dr. Matthai.—May I understand how the sieve test works? You say 5 per cent. What that means is you have 5 meshes per inch. Is that right?

Mr. Brodie.—It should not be 5 per cent.

Dr. Matthai.—In that case the sieve retains *nil*.

Mr. Brodie.—That is so.

President.—If you brought it up more or less to the Grax level, then you could make it look more or less uniform.

Mr. Brodie.—It seems to me that the two sieves we have to pay attention is 20 mesh and 200 mesh. It seems to me that the best type of salt leaves very little on the 20. If they pass through 200, you have got a lot of very fine salt, that is to say, the best salt has a fairly uniform texture.

President.—Khewra passes through 93.

Mr. Brodie.—A lot passes through 100 meshes. Taking the 20 mesh sieve, it seems clear enough from the figures that we have got, it must not be allowed to retain more than a very small amount. The Hamburg Vaca leaves practically no residue on 20 mesh sieve and as regards coarse salt you would have a very heavy residue.

President.—Does Khewra come in there?

Mr. Brodie.—Except Khewra.

President.—Khewra is the same as Hamburg Vaca.

Mr. Brodie.—Yes. I should think a limit of 5 per cent. is as much as you could allow.

President.—That is for the first grade you mean.

Mr. Brodie.—Yes.

President.—In the other grades also you want to make the quality uniform.

Mr. Brodie.—I know.

President.—So what do you suggest? You must fix something which must make the whole thing uniform.

Mr. Brodie.—On the 1st grade not more than 5 per cent. on 20 mesh sieve and on the 2nd grade according to Trade's opinion.

Dr. Matthai.—Are you prepared to make 20 mesh sieve the sole test?

Mr. Brodie.—Yes, for the 1st quality. Not more than 5 per cent. must pass through the finest sieve. That would exclude the salt very finely ground.

Dr. Matthai.—Is it necessary?

Mr. Brodie.—I am inclined to think that the consumer prefers a little coarser salt than a very fine one.

President.—What I want to suggest is this: if we have to have two classes then within that class, not one of them ought to be sold as a substitute for any other. As regards the first quality there won't be much difficulty. As regards the second one, the sieve test is the only one that I could see at present. Supposing we said not more than 5 per cent. to be retained on the 20 mesh, that would give us Hamburg fine table salt.

President.—You cannot grind the sea salt in the same way.

Mr. Brodie.—No.

President.—The best that they can do is this Karachi Grax Vaca. They have actually made this quality.

Mr. Brodie.—That satisfies the test which I have suggested. It leaves less than 5 per cent. on a 10 mesh sieve. There is a lot of difference between a 10 mesh sieve and 20 mesh sieve.

President.—We don't want the bazar to create a difference when it does not really exist.

Mr. Brodie.—No.

President.—We showed all these bottles to all the big dealers. They only said that the difference lay in grain.

Mr. Brodie.—Is that all?

President.—Yes. Therefore you have to find out some test which without making it impossible for these manufacturers would enable them to give us a uniform quality of salt.

Mr. Brodie.—Would these two be far apart (Aden Fine and Hamburg Fine)?

President.—Yes.

Mr. Brodie.—In colour and not in fineness.

President.—I should not think so. I do not know what the market thinks. It generally differentiates from the point of view of colour and grain. Khewra salt was taken by some people as Cheshire when they looked at it.

Mr. Brodie.—The colour is practically the same.

President.—You cannot have the same grain in other salts because the processes are different.

Mr. Brodie.—Yes.

President.—As regards the sea salts we want a test which would make them look more or less alike?

Mr. Brodie.—That can only be done by the sifting test which must be restricted either by the 10 mesh sieve or 20 mesh sieve.

President.—You must prescribe the upper limit. If it was finer, the colour would look very different.

Mr. Brodie.—I don't think that it is economical to grind it very fine.

President.—What do you suggest that we should do?

Mr. Brodie.—It should be measured or regulated by a 10 mesh sieve and it should not leave more than 5 per cent. or 10 per cent. according to the quality that you want.

President.—Will you please think over the whole thing and send us a complete note saying how to get uniformity more or less in the same class and what tests are to be prescribed.

Mr. Brodie.—Yes.



Key to the numbering of samples of salt prepared for indentification.

With a view to ascertain how far persons well acquainted with the various classes of salt imported into Calcutta could distinguish those salts from salts manufactured in India if all were crushed to a similar fineness the following experiment was made. Samples of imported salts were obtained from the Collector of Customs, Calcutta. A small portion of each sample was crushed as fine as possible in a mortar and then placed in a glass bottle : crystals from Sambhar, Dilyar, Pachbadra, Karachi and Madras and rock salt from Khewra were similarly crushed and bottled. For the purpose of comparison samples of the salts in their natural state (*i.e.*, before they were crushed by the Board) were also bottled. The bottles were numbered for identification. The key to the numbering is given below :—

Crushed by Board.	In natural state.	Class of salt.
1	21	Dilyar Salt (from Diwan Chand).
2	22	Khewra (heated, crushed and sifted).
3	23	Aden Solar Fine.
4	24	Indo-Aden Fine.
5	25	Karachi Crushed.
6	26	Hamburg Fine.
7	27	Sambhar.
8	28	Luxmi (Superfine uncrushed).
9	29	Grax (Extra Fine).
10	30	Cheshire (Standard salt—paper packet).
11	31	Madras Vayalur Experimental Pans.
12	32	Ditto.
13	33	Cheshire Salt (bulk).
14	34	Pachbadra.

सत्यमेव जयते

Evidence of Rai Saheb GANENDRA NATH DE recorded at Calcutta on Monday, the 13th January, 1930.

President.—Mr. De, you are one of the principal brokers in salt here.

Mr. De.—I am a broker.

President.—Do you do very large business?

Mr. De.—I represent some importers' firms as their broker.

President.—Which of the firms?

Mr. De.—I represent Messrs. Shaw Wallace and Company and Messrs. F. W. Heilgers and Company.

President.—Messrs. Shaw Wallace and Company, whom do they represent?

Mr. De.—They represent Salinera Spanola, Sanpedrol Penetar and Cadiz Salt Works. Messrs. F. W. Heilgers and Company represent Tunis and Santapola Salt Works. They have the sole agency of Ras-Hafen salt, Somaliland (Italian), also they are the agents of the Roumanian Government for Roumanian salt.

Dr. Matthai.—Are these two firms in the Salt Importers' Association?

Mr. De.—No.

President.—They have not joined the Conference?

Mr. De.—No.

President.—How much salt is imported by these firms?

Mr. De.—In the year 1928, they imported 16,000 to 18,000 tons

President.—All the Spanish salt is imported by Shaw Wallace.

Mr. De.—No. Messrs. Turner, Morrison and Company are also importing Spanish salt. Messrs. Shaw Wallace and Company are the agents for Cadiz and Sanpedrol Penetar. Messrs. F. W. Heilgers and Co., Agents for Santapola in Spain, are also acting as agents for Tunis salt. Mr. Moutifawro is the proprietor.

Dr. Matthai.—Spanish salt that comes to India is imported by Messrs. Shaw Wallace and Company and Messrs. Turner Morrison and Company.

Mr. De.—And by Messrs. F. W. Heilgers and Company.

Dr. Matthai.—They are also interested in Spanish salt?

Mr. De.—Yes.

President.—Between the three firms, how much is imported here?

Mr. De.—Between 40,000 to 50,000 tons.

President.—For how many years have they been doing this business?

Mr. De.—Messrs. Turner and Morrison are doing this business for the last three years. Formerly Torrivieju business was in the hands of Messrs. Shaw Wallace and Company.

President.—Do you act for Messrs. Turner, Morrison and Company?

Mr. De.—No.

President.—I want to know how much Messrs. Shaw Wallace and Company and Messrs. Heilgers and Company import.

Mr. De.—Messrs. Heilgers import about 20,000 tons and Messrs. Shaw Wallace about 8,000 tons.

Dr. Matthai.—Messrs. Turner, Morrison and Company import the bulk of Spanish salt.

Mr. De.—Yes.

Dr. Matthai.—Messrs. Shaw Wallace and Company import about 8,000 tons?

Mr. De.—Yes.

Dr. Matthai.—And Messrs. Heilgers about 20,000 tons.

Mr. De.—Yes, 16,000 to 20,000 tons.

Dr. Matthai.—The total import is 40,000 tons, so that these two firms import 25,000 tons out of a total of 40,000 tons.

Mr. De.—Yes.

Mr. Mathias.—Were any of these firms in the Conference before?

Mr. De.—Shaw Wallace were at one time a member of the Conference. That Conference was dissolved 8 years ago.

Mr. Mathias.—What was the reason for their leaving the Conference?

Mr. De.—There were special reasons.

Mr. Mathias.—Why did they leave the Conference?

Mr. De.—They lost the Torrivieju agency and therefore they went out of it.

Mr. Mathias.—They thought it not worth while to rejoin the Conference.

Mr. De.—The proprietors of Cadiz were not willing to join the Conference.

Mr. Mathias.—How long has this Conference been in existence?

Mr. De.—For the last three years.

Mr. Mathias.—Before that there was some other form of Conference?

Mr. De.—Yes.

Mr. Mathias.—When did it first start this system of Salt Association?

Mr. De.—In 1927.

Mr. Mathias.—That is the present one.

Mr. De.—Yes.

Mr. Mathias.—Former one?

Mr. De.—1918.

Mr. Mathias.—Nothing before that

Mr. De.—No.

Mr. Mathias.—In the Salt Report of 1911 there was a reference to the Salt Conference which existed then.

Mr. De.—I don't exactly remember.

Mr. Mathias.—There was one form of Conference in the year 1918 which broke down.

Mr. De.—Yes, 8 years ago.

Mr. Mathias.—When did the new Conference come into force?

Mr. De.—In 1927.

President.—How many years have you been doing this business?

Mr. De.—For the last 44 years.

President.—So you are familiar with all qualities of salt, prices and so on.

Mr. De.—Yes. More or less.

President.—Have you been a broker for Liverpool and Hamburg salt?

Mr. De.—Yes. I was broker to Messrs. James Nourse, Limited. That firm have been amalgamated with British India Steam Navigation Company.

President.—Did they do any business in salt?

Mr. De.—No.

President.—Do you keep any records of prices?

Mr. De.—I might.

President.—Do you?

Mr. De.—I do.

Scrutiny of samples.

President.—Can you tell these different classes of salt by looking at them?

Mr. De.—I am not certain, but I can try if I see the samples.

Mr. Mathias.—You can tell at any rate that a particular sample of salt will have a market in Bengal.

Mr. De.—Probably.

President.—Just see the samples and say which will have a market in Bengal and which will not have.

Mr. De.—Yes. No. 1 is crushed salt.

President.—Can you tell us where it comes from?

Mr. De.—No, but I can say that it is not Liverpool.

President.—You cannot say whether it is Hamburg or Spanish or Aden.

Mr. De.—It is not Spanish or Aden.

President.—But you cannot tell what it is.

Mr. De.—No. I can only say that it is crushed salt.

Mr. Mathias.—It is neither Liverpool salt nor Spanish salt nor Aden salt.

Mr. De.—No.

President.—Is it better?

Mr. De.—Yes. It is better.

President.—Is it as good as Spanish or better?

Mr. De.—It is better than Spanish.

Dr. Matthai.—By better do you mean it is whiter?

Mr. De.—Yes and better in grains.

President.—Will it fetch a better price than Spanish?

Mr. De.—It should in my opinion.

President.—As compared with Liverpool?

Mr. De.—No.

President.—At what difference would it sell compared to Liverpool?

Mr. De.—Liverpool is the King of salt.

President.—Supposing you are to sell this in competition with Liverpool, by how much less would you sell this?

Mr. De.—At about Rs. 6 less.

Dr. Matthai.—You mean Rs. 6 per 100 maunds.

Mr. De.—Yes. There should be a difference of one anna per maund.

President.—Then it would sell.

Mr. De.—Yes.

President.—Take this No. 7 quality of salt. Can you tell what salt it is?

Mr. De.—It looks like Hamburg Vaca.

President.—That Hamburg is superior to all except Liverpool.

Mr. De.—Yes.

President.—And it will fetch a price how much below Liverpool?

Mr. De.—Rs. 3.

President.—Will it fetch a price better than Aden?

Mr. De.—Yes.

President.—How much more?

Mr. De.—Rs. 6 more.

President.—What do you think of No. 6 quality? Compare it with No. 7 quality.

Mr. De.—It is also crushed salt. There should be a difference of Rs. 2.

President.—Do you consider No. 7 better than this?

Mr. De.—Yes.

President.—What salt is No. 6?

Mr. De.—It looks like Hamburg salt.

Dr. Matthai.—Part of Hamburg salt is sea salt?

Mr. De.—No. Aden is sea salt.

Dr. Matthai.—The whole of Hamburg is not rock salt.

Mr. De.—It is rock salt. They inject water.

Mr. Mathias.—It is brine water really.

Mr. De.—They inject water.

President.—How do you judge whether it is Hamburg or Liverpool salt?

Mr. De.—By seeing grains and whiteness.

President.—No. 6 will fetch Rs. 2 lower in your opinion than No. 7.

Mr. De.—Yes. No. 7 is whiter and therefore it would fetch a better price.

Dr. Matthai.—The grains are just the same?

Mr. De.—Yes.

President.—Look at No. 3.

Mr. De.—The crushing is all right, but the colour is little inferior in comparison with the other stuff.

President.—What stuff do you think it is?

Mr. De.—It is like Aden salt in colour.

President.—Do you think it is Aden?

Mr. De.—No.

Mr. Mathias.—Why?

Mr. De.—I have never seen Aden salt crushed like this.

Mr. Matthai.—Is Aden salt generally as white as this? (Sample shown.)

Mr. De.—Mostly.

President.—It is a matter of crushing, you think.

Mr. De.—Yes.

President.—You consider that if Aden salt was crushed like that, it would be better.

Mr. De.—Yes.

President.—That affects the grain.

Mr. De.—Yes.

President.—Try this (No. 5).

Mr. De.—All this stuff that I have seen is superior to Aden.

President.—Do you consider this superior to Aden?

Mr. De.—Yes, because it has been finely crushed. Aden cannot crush like this.

Mr. Mathias.—Why can't they do it?

Mr. De.—If they crush it finer, it will cost them more.

Dr. Matthai.—How does this salt (No. 5) compare with Hamburg?

Mr. De.—Hamburg is whiter.

President.—What place would you assign for this salt in the matter of price?

Mr. De.—It will fetch two or three rupees less on account of the colour.

President.—What do you think of this salt (No. 2)?

Mr. De.—It is better than Spanish salt.

President.—Both as regards whiteness and grain?

Mr. De.—The grains are fine, but the colour is almost the same.

President.—Will it fetch a better price than the Spanish salt?

Mr. De.—To begin with, we shall have to create a market for it. It will fetch the same price as the Spanish salt.

President.—Do you think that it will eventually fetch a better price?

Mr. De.—Yes.

Dr. Matthai.—But of course it is inferior to Hamburg.

Mr. De.—Yes, in colour.

President.—See this salt (No. 9).

Mr. De.—This salt seems to me to be equal to Hamburg Vaca.

President.—Do you think that it will fetch the same price as Liverpool?

Mr. De.—A little cheaper than Liverpool.

Dr. Matthai.—You don't think that it is quite so good as Liverpool.

Mr. De.—In respect of grains, it is all right, but there is no sparkling in it.

President.—I shall put it to you this way. Supposing there is no Liverpool salt in the market?

Mr. De.—This will take the place of the Liverpool salt.

President.—All these salts?

Mr. De.—Yes.

Mr. Mathias.—It will not be considered a hardship in any way by the people who eat these different kinds.

Mr. De.—I don't think so.

President.—What about No. 10?

Mr. De.—It looks like table salt.

President.—Is it Liverpool?

Mr. De.—It is like table salt. Between Liverpool and table salt, there is a slight difference.

President.—What is the difference?

Mr. De.—It is very fine and there are no grains. It looks like flour, whereas Liverpool salt there are some grains. This looks like Hamburg fine; in colour and everything.

Dr. Matthai.—Will you compare that with this (No. 13)?

Mr. De.—No. 13 is a little bit finer than No. 10.

President.—Which do you consider better—No. 10 or No. 13?

Mr. De.—If these two salts were placed in the market, both will be sold at the same price.

Dr. Matthai.—Do you consider No. 13 slightly better?

Mr. De.—Yes. Though it is better than No. 10, still it will not fetch a better price than No. 10.

Dr. Matthai.—Do you mean that the difference is too small to be reflected in price?

Mr. De.—Quite so.

Dr. Matthai.—Personally in your own business, do you deal in all these kinds of salt?

Mr. De.—I represent some importers. I never do any business of my own.

Dr. Matthai.—The business in which you represent the importers, does that cover all these kinds of salt or does it cover only Spanish salt?

Mr. De.—No. At present I am representing the agents of Spanish salt and the agents of the Tunis salt. While I was acting as a broker to James Nourse, Ld., they were importing the Liverpool salt.

Dr. Matthai.—Taking your 40 years' experience as a broker, you have had experience practically of all kinds of imported salt.

Mr. De.—Yes.

Mr. Mathias.—In all these kinds, I suppose if a sufficiently influential manufacturing firm or importing firm were to engage you as their broker, you would be able to sell these different kinds of salt in the market.

Mr. De.—Yes. All these kinds that I have seen are marketable. That is my independent opinion. I think that our market will approve of all these qualities.

President.—All the qualities that I have shown you so far?

Mr. De.—Yes.

President.—Now look at this (No. 4). What do you think of this?

Mr. De.—This is Karachi salt.

President.—Is this inferior to Aden salt?

Mr. De.—It is, but not in respect of grains. It is only inferior in colour.

President.—You don't think that it is Aden salt. Is it not good enough for it?

Mr. De.—I have never seen any Aden salt so finely ground.

Dr. Matthai.—Have you seen Aden salt of this colour?

Mr. De.—The Indo-Aden salt is like this.

President.—Is it marketable?

Mr. De.—Yes. It is only a question of price.

Mr. Mathias.—Do you think that the Bombay salt is marketable?

Mr. De.—Yes, it is marketable—about 20,000 tons a year.

Mr. Mathias.—That goes only to district, *viz.*, Nadia?

Mr. De.—Partly to Nadia and partly to Burdwan and Malda.

President.—Will it fetch as good a price as Indo-Aden?

Mr. De.—Yes, it will go to Assam.

President.—Does the Indo-Aden salt go to Assam?

Mr. De.—Mostly.

President.—Of all the samples that you have seen, No. 4 is the most inferior?

Mr. De.—Yes.

Mr. Mathias.—Does the Bengal consumer as a rule refuse Indo-Aden?

Mr. De.—I cannot say that.

Mr. Mathias.—They prefer a whiter salt?

Mr. De.—Yes.

Mr. Mathias.—The Indo-Aden salt is practically confined to Assam.

Mr. De.—Yes, but it goes to Chandpur also occasionally when they don't have good salt. Otherwise most of the Indo-Aden salt goes to the Assam districts—also to Nadia and Burdwan and partly to Nagpur *viâ* Shalimar.

Mr. Mathias.—If they do not get finer salt, they will take it.

Mr. De.—They will be compelled to take it.

President.—Look at this salt (No. 8). First compare it with No. 4.

Mr. De.—It cannot be compared.

President.—What salt do you think it is?

Mr. De.—It is better than No. 4. There should be at least a difference of Rs. 6 per 100 maunds.

President.—Do you think that No. 4 can bear no comparison with No. 8?

Mr. De.—If No. 4 and No. 8 were placed in the market at the same price, nobody would go in for No. 4.

President.—At how much below would it sell?

Mr. De.—At least Rs. 6 to Rs. 8 less per 100 maunds.

President.—Now compare No. 8 with No. 3.

Mr. De.—No. 8 is whiter and No. 3 is darker.

President.—Which do you consider better?

Mr. De.—No. 8.

President.—Will it fetch a better price than No. 3?

Mr. De.—It should.

President.—What it comes to is this that No. 4 is the most inferior of all.

Mr. De.—Yes.

President.—No. 3 is somewhat better.

Mr. De.—Yes.

President.—No. 3 and No. 4 are inferior to all the other grades.

Mr. De.—Yes.

President.—Take Nos. 11 and 12. What do you think of these?

Mr. De.—They are marketable.

President.—What do you mean by marketable? As against what?

Mr. De.—In place of Liverpool salt.

President.—Will it sell at a lower price?

Mr. De.—Yes.

President.—How much?

Mr. De.—Rs. 3.

President.—At about the same price as Hamburg?

Mr. De.—Vaca; brine Hamburg.

President.—It will sell in competition against Vaca?

Mr. De.—Undoubtedly.

President.—You say if Liverpool salt were shut out this salt wouldn't take its place in the market. Is it your view that all these salts that I have shown with the exception of Nos. 3 and 4 would fetch a better price than Aden or Indo-Aden?

Mr. De.—Yes. But whether they will be able to supply the quantity I do not know.

President.—Supposing the quantity required was available and Liverpool salt was shut out.

Mr. De.—Then 70,000 tons is shut out from the market?

President.—Hamburg will also go out.

Mr. De.—That is another 20,000 tons. That makes a total of 90,000 tons.

President.—And you think the consumer will eat this salt without complaint if it is sold at a little lower price than Liverpool salt?

Mr. De.—Yes.

Dr. Matthai.—Who are the class of people generally in Bengal who consume Liverpool salt?

Mr. De.—I won't be able to answer that but I should think the gentleman class take Liverpool salt but if they don't get Liverpool salt they will consume this quality.

Mr. Mathias.—You were speaking about the Nadia district just now. Why don't they take Liverpool salt?

Mr. De.—Widows think it is not pure while the other is the natural salt. There is superstition.

Mr. Mathias.—If that is the reason it is rather curious that they don't take Khewra salt!

Mr. De.—There is none to explain that.

Mr. Mathias.—What class of people consume this karkatch?

Mr. De.—Nepal generally takes karkatch. I have myself sent 40,000 to 50,000 maunds to Nepal Government and my instruction from Nepal is to send karkatch specially Aden karkatch. I know that they sell this salt not by weight but by measurement and they put bigger crystals to fill up the measure and make the quantity smaller.

Mr. Mathias.—Do they use karkatch for feeding animals?

Mr. De.—No.

Mr. Mathias.—Do they give rock salt to the cattle?

Mr. De.—Yes.

President.—Will you look at this sample and tell me what salt this is.

Mr. De.—No. 29 looks like Liverpool.

Dr. Matthai.—You think practically it is as good as Liverpool?

Mr. De.—Yes, quite nice.

President.—So if anybody wanted to pass it off as Liverpool to the consumer, it will pass off as such?

Mr. De.—Yes. In fact if you give me a sample wrapped in a blue paper and afterwards wrapped in a red paper I myself would not be able to say that they are one and the same thing.

President.—Now compare that with No. 10.

Mr. De.—No. 10 is finer than this and also the colour is different.

Dr. Matthai.—From your long experience do you know of any reason why in Bengal they consume whiter salt than the rest of India?

Mr. De.—35 years ago only Liverpool salt used to come in Calcutta market; Aden or any other crushed salt was not then available.

Dr. Matthai.—Supposing as a result of our enquiry we made proposals for providing for the Bengal market salt of that colour, namely No. 4, do you think that would be considered a hardship by the consumer?

Mr. De.—If there is no better salt available they will take it.

Dr. Matthai.—Supposing you sold it at Rs. 15 less than Liverpool salt will the consumer consider it a hardship?

Mr. De.—I think so.

President.—They will not like to eat it?

Mr. De.—No.

Mr. Mathias.—On the other hand if you give them the white salt you have just seen?

Mr. De.—In that case they won't very much worry. Nos. 10 and 13 and No. 2 will be taken by the consumers. There will be hardship if they are compelled to take No. 3.

President.—Supposing they tried to sell No. 4 quality in the Bengal market?

Mr. De.—Of course it will be sold but not at the same price.

President.—It would go to Assam?

Mr. De.—It will go to Tipperah, Chandpur, Assam.

President.—What about No. 3?

Mr. De.—It may be passed as table salt but it is inferior in colour.

President.—Are you quite sure that No. 4 is of a quality which Bengal will not eat?

Mr. De.—I can't say they won't eat it. If they do not get better quality they will eat it but they won't prefer it.

President.—Supposing we put into the Bengal market the superior qualities that you have seen and also No. 3 what difference will you have to maintain to sell the inferior quality?

Mr. De.—I should say a difference of Rs. 2. The poorer class will take the inferior stuff.

President.—But people wouldn't pay Rs. 2 more for the better class of salt and buy that if there were only two kinds of fine salt besides table salt, No. 4 and Nos. 9, 10 and so on?

Mr. De.—You mean if there were only two qualities?

President.—Yes.

Mr. De.—It will be sold in the market.

President.—Will they have to maintain any difference in prices between No. 4 and the superior qualities namely Nos. 9, 10 and so on?

Mr. De.—There should be a difference of Rs. 6.

President.—Then they will eat the other salt?

Mr. De.—Yes, because the other stuff will not be available.

Dr. Matthai.—Supposing these two classes of salt could be had in abundance in India, I mean to say there was quite enough of this kind of salt (No. 10) available in the Bengal market, and there was a difference of one anna in

price between this quality and No. 4 would there be sufficient sale for the better quality or would they go in for No. 4?

Mr. De.—They will go in for the better quality.

Dr. Matthai.—What kind of difference should I maintain in order to enable me to sell the other?

Mr. De.—A difference of Rs. 10 to 15 per 100 maunds.

Dr. Matthai.—That is about annas 2 a maund?

Mr. De.—Yes.

Mr. Mathias.—You have a good deal of experience of the different kinds of Aden salt. You were telling me just now that Indo-Aden salt is mainly sold in Assam. Out of the 550,000 tons of salt which Bengal takes what portion do you think Aden salt in its present form can capture? You said there was a distinct market which took Aden salt and there was a much more distinct market which took white salt. Supposing Aden were to start an intensive competition against the better quality of salt by reducing its price, what proportion of the market would it be able to capture?

Mr. De.—At the moment they are supplying 150,000 tons.

Mr. Mathias.—To what extent could they increase their sales?

Mr. De.—I don't quite follow.

Mr. Mathias.—Supposing they could produce 350,000 tons for instance, could they sell it?

Mr. De.—Yes.

Mr. Mathias.—Would it take the place of Liverpool salt?

Mr. De.—No. No salt can take the place of Liverpool. It can take the place of all the other qualities provided it is available in the market.

Mr. Mathias.—Supposing it is available?

Mr. De.—Then the cheapest is the best!

Mr. Mathias.—Supposing the price of Aden salt was Rs. 3 less, then they will be able to market 350,000 tons?

Mr. De.—Yes.

Dr. Matthai.—Broadly I suppose you might say in the Bengal market there are three distinct classes of salt, Liverpool superfine, then ordinary crushed and karkutch.

Mr. De.—Yes.

Mr. Mathias.—Aden turns out salt like that brown salt that you have seen. Even if they reduce the price they won't be able to put 350,000 tons in the market, will they?

Mr. De.—Yes, if they reduce the price.

President.—What difference will they have to maintain between No. 4 and No. 7 if No. 4 was to take the place of No. 7?

Mr. De.—A difference of Rs. 3 to 4 per 100 maunds.

Mr. Mathias.—Supposing the market remains open to any importer of salt and present conditions continue, in that case supposing Aden was producing this brown salt and they wanted to increase their output from 150,000 to 350,000 tons, could they sell that quantity?

Mr. De.—Yes, provided they sell it cheap, say at Rs. 20 less.

Mr. Mathias.—In order to sell that stuff the price will have to be reduced to Rs. 30 or Rs. 35?

Mr. De.—Yes.

President.—At present it is being sold at Rs. 65?

Mr. De.—The present rate is Rs. 59. I have reduced the market by reducing the price of Spanish *ex*-ship at Rs. 59.

President.—Can Aden sell against you at Rs. 59?

Mr. De.—Yes. They can sell at the same price. This No. 7 is better than my stuff.

President.—At what price is Aden selling now?

Mr. De.—Rs. 59.

President.—What is the present price of Indo-Aden salt?

Mr. De.—Rs. 58.

Afternoon.

President.—I wish to understand a little of the business methods.

Mr. De.—As far as my knowledge goes, I will explain to you, Sir.

President.—First of all these importers represent manufacturers in Europe.

Mr. De.—Yes, but not all in Europe. Some are in Aden and some are broad.

President.—We will say abroad.

Mr. De.—Yes.

President.—They do business on commission for the manufacturers, is that ight?

Mr. De.—Yes.

President.—When the salt arrives here, they sell it through brokers.

Mr. De.—Yes.

President.—And you are one of them. Now what is the usual brokerage that they give?

Mr. De.—As. 8 per 100 maunds. Some are paying one per cent. on the sale proceeds and some firms got fixed paid broker.

President.—Is it excluding the duty?

Mr. De.—We don't get any brokerage on duty or on toll.

Dr. Matthai.—What precisely is this toll?

Mr. De.—Toll is realised by the Port Commissioners at Rs. 1-4-0 a ton which is considered as river dues.

Dr. Matthai.—There is another small item Biti.

Mr. De.—Biti is realised by Bombay salt importers only.

Dr. Matthai.—The Indo-Aden Salt Works have given the Biti charge as As. 1-6 per 100 maunds.

Mr. Mathias.—What is it exactly?

Mr. De.—Importers realise Re. 1 per 1,000 maunds from the buyer as weighing charges and give to the Sirkar.

Mr. Mathias.—Not as bakshis.

Mr. De.—No. They gave it to Sircar. Messrs. Turner, Morrison and Company give half to their broker and half to their cashier.

President.—Brokers, do they do any business on their own account also?

Mr. De.—I don't think so. Those who are representing importers as brokers cannot do any business of their own.

President.—They can't do it. They are guaranteed brokers.

Mr. De.—Some brokers have got a deposit with the firms they represent.

President.—What is this guarantee for?

Mr. De.—Guarantee for the realisation of the value. To-day a broker has declared sales for 50,000 maunds to A.B.C. To-morrow the market declines. The broker shall have to make good of the loss in case the buyer refuses to take delivery of the same.

Mr. Mathias.—There is no contract of any kind.

Mr. De.—No, unless it is a special circumstance such as forward sales.

President.—Are there any forward sales made?

Mr. De.—Sometimes I do it.

President.—On whose behalf?

Mr. De.—On behalf of the importers. I am the only man who makes forward sales.

Dr. Matthai.—For what kind of period?

Mr. De.—According to the desire of buyer. If any buyer comes and asks in December he wants a March shipment cargo; then I will be able to arrange.

President.—You are the only broker who does it.

Mr. De.—Nobody has done it except myself up to now.

President.—Do you do it on any large scale?

Mr. De.—More or less. Whatever wholesale business is done, it is practically done by me.

Dr. Matthai.—The bulk of the salt imported into Bengal passes through your hands.

Mr. De.—No. I don't even get 1/16th of the business.

President.—All the salt that is sold in the market goes immediately into the possession of the buyer?

Mr. De.—If it is *ex*-ship.

President.—Is that removed at once?

Mr. De.—Yes.

President.—What I want to know is this: when the salt is bonded and supposing it is sold to me, am I bound to take delivery at once?

Mr. De.—No, at your leisure. Sometimes we allow 3 months.

President.—In the meanwhile I can sell it to somebody else if I like.

Mr. De.—You can do it. Marwaris are so doing. If there is fluctuation in the market, they make a profit.

President.—They may be making forward sales also.

Mr. De.—No, they never make any forward sale. They buy on their own account in the market from the importers' brokers and the importers' brokers put down their sales in their sales book showing they have sold 20,000 maunds to such and such a person, delivery to be completed in two months time or thereabout according to the arrangements made. He will pay duty accordingly and clear the salt.

President.—In the meanwhile if the market is favourable he may sell it to somebody.

Mr. De.—Yes, he can do it.

President.—Do you know anything about the buying brokers?

Mr. De.—Yes.

President.—Do they buy against the order?

Mr. De.—Yes. Sometimes they do it on their own account also, but we don't recognise their dealer. We always recognise the buyers' broker. We always put down the sales in the name of buyers' broker. We won't enquire the name of his buyer. We rely on the buyers' broker. If the price goes down, it is the buyers' broker who has to make good the loss.

President.—It is the broker who takes delivery on behalf of the merchants.

Mr. De.—Yes.

Mr. Mathias.—Supposing a broker sold 10,000 tons to Mr. A, Mr. A sold to Mr. B and Mr. B sold to Mr. C.....

Mr. De.—The broker is not going to enquire whether Mr. A sold it to Mr. B and Mr. B sold it to Mr. C., but will ask Mr. A to pay the duty and the value of salt and take delivery of the same.

Mr. Mathias.—He has to arrange to take delivery.

Mr. De.—Yes.

President.—It is quite possible when the market is fluctuating, that a lot of speculation may go on.

Mr. De.—Yes.

President.—Does it go on?

Mr. De.—Sometimes. In war time it went up to a great extent and the price of salt was Rs. 500.

President.—Have you got any agents in the districts?

Mr. De.—No.

President.—Practically all the District wholesale dealers must have a local broker. That is what it comes to.

Mr. De.—Yes. The district local dealers haven't got any brokers. They have got their principals or agents here. They write to them and say ' please send 5 wagons of Mussawah salt '. They send for the broker and say ' I want so many maunds of such and such a quality '. They pay the duty and the broker purchases it through the importers' brokers.

President.—The other merchant will also charge some commission?

Mr. De.—Yes.

President.—Then he employs a broker.

Mr. De.—Yes.

President.—In the district do you know what happens?

Mr. De.—I have no knowledge, but I can say for non-duty-paid salt that goes by flats. The bonder who buys here has to stock it in his licensed godown and sell it retail. The godown is entirely under the supervision of the Sub-Divisional Officer of the district.

Mr. Mathias.—With all the fluctuations in prices in Calcutta between Rs. 60 and Rs. 100, can you say from your experience whether it affects the price which the retailer charges.

Mr. De.—If there is any change in Calcutta, they use to send a telegram to their people.

Mr. Mathias.—I mean a small shopkeeper.

Mr. De.—Ordinary grocers are selling 2 lbs.

Mr. Mathias.—They keep it at a fixed rate?

Mr. De.—Yes.

Dr. Matthai.—Supposing we decided to raise the duty on imported salt by As. 4?

Mr. De.—You mean, increase the duty?

Dr. Matthai.—Yes. Would the retail prices rise?

Mr. De.—If you are going to increase the duty by Rs. 25 per 100 maunds market will be reduced by another Rs. 15 per 100 maunds. If you are going to reduce the duty to As. 4 per maund the salt market will go up to Rs. 15 per 100 maunds.

President.—Why should it go up?

Mr. De.—It will go up. The benefit of it will go to the middlemen. If the authorities say that from 1st March the salt duty will be Re. 1 per maund instead of Rs. 1-4-0, I dare say the price will go up by Rs. 10 per 100 maunds.

Dr. Matthai.—You mean to say that the consumer will pay the same price?

Mr. De.—Yes. The consumer will not get the benefit of the reductions of duty.

Dr. Matthai.—Therefore you raise the price by the amount of the duty and all the bigger middlemen raise the price accordingly. Somebody has to bear it.

Mr. De.—The consumer has to bear it.

Dr. Matthai.—You say that the consumer will pay the same price.

Mr. De.—The shopkeepers will say that they have to buy at a higher price.

President.—These fluctuations in prices nobody knows, but the fact that the Government has increased the duty, everybody would know and therefore they would promptly raise the price by As. 4 or As. 5.

Mr. Mathias.—I suppose that if either the duty or the price of salt is raised, the consumer would have to pay a higher price?

Mr. De.—Yes.

Mr. Mathias.—If either the duty or the price of salt was lowered, the consumer would get no benefit. That is the position?

Mr. De.—Yes.

President.—It is true that the retailer who sells salt by the handful may not know. If the Government reduces it by As. 4, no benefit will go to the consumer.

Mr. De.—No.

President.—In the same way if the importers raised their price by Rs. 10 per 100 maunds, the small retailer would raise his price. If they reduced the price by Rs. 10.....

Mr. De.—They won't reduce. As a matter of fact last week salt was sold at Rs. 64 *ex*-ship and as soon as my salt arrived here, the Conference said that they would like to compete with Shaw Wallace Cadiz salt which compelled me to reduce my price by Rs. 4 per 100 maunds. To-day I have practically reduced my rate by Rs. 7 per 100 maunds.

President.—Supposing this Conference is broken up?

Mr. De.—To-day my information is that the Conference has dissolved. Messrs. Grahams wrote a letter saying that they are no more in the Conference. Messrs. Turner, Morrison and Company are still in the Conference. Mr. Lalljee is still in the Conference. I daresay it will be dissolved for ever.

President.—What I want to know is this: supposing there is no Conference and Government says 'There has been too much speculation in this market. We want to protect the consumer'.

Mr. De.—Quite.

President.—Government says that nobody will import except themselves and then they ask for open offers and tenders. At what price do you think Government will be able to buy salt in the open world market.

Mr. De.—What quality?

Dr. Matthai.—Fine white crushed.

Mr. De.—There should be a standard price fixed by the Government. There is no need of taking any tenders.

Dr. Matthai.—Supposing it simply asks for tenders, at what price do you think Government would be able to buy?

Mr. De.—Then Government is going to introduce speculation.

President.—I will explain to you how the Government will deal with it. First of all Government has got to buy 500,000 tons of this salt every year. Government goes into the market and says "subject to our accepting your quality which the Government will describe, we want to buy 400,000 tons or 500,000 tons." At what price do you think Government will get?

Mr. De.—By selling it in the market?

President.—No. At what price do you think that Government will be able to buy it?

Mr. De.—Rs. 50 to Rs. 55. I have seen Liverpool selling at Rs. 35.

President.—Before the war?

Mr. De.—Yes, but then the freights was not so high as it is at present.

President.—At Rs. 55 to Rs. 60, Government can buy any quality in the open market?

Mr. De.—Yes, quality equal to this (No. 11).

President.—That is the lowest quality.

Mr. De.—Yes.

President.—They may be able to buy that at less price?

Mr. De.—Between Rs. 50 and Rs. 60.

President.—All salt except Liverpool?

Mr. De.—Yes.

President.—Hamburg they cannot buy at that rate.

Mr. De.—No.

President.—Hamburg has been selling at Rs. 64 now and again.

Mr. De.—If Government are going to buy, I don't think that they will sell it at that rate. Mr. E. J. Emers, who is the proprietor of the Hamburg Salt, is bringing it at 6 shillings freight but the Hansa boats will not carry Government salt at 6 shillings.

President.—Government say 'we want to buy the best quality.' Will the Hamburg salt be sold at Rs. 60?

Mr. De.—They cannot sell it at that price.

President.—Why?

Mr. De.—It is impossible. The price is 15 shillings f.o.b. They are supporting their own industry and therefore they charge such a small freight. In the same way, the Liverpool industry is supported by Liverpool liners. They are accepting 6 shillings 6 pence per ton. If you or I were to charter a tramp boat, we shall have to pay 20 shillings per ton.

President.—Government want the salt in Calcutta.

Mr. De.—If the freight can be arranged, they will sell it on f.o.b. basis. No salt in the world can compete with the Liverpool salt.

President.—They can sell salt at Rs. 60. Supposing Liverpool had the chance of supplying the whole lot, they might supply at Rs. 60.

Mr. De.—Yes, why not?

Mr. Mathias.—Port Said which has a lot of salt to sell may quote, in case there is any tender, 12 shillings for freight and 10 shillings for salt.

Mr. De.—They can sell it at Rs. 55.

President.—I am now asking you as a citizen and not as a broker. The first thing that Government ought to do is to determine the salt. Don't you think that Government ought to do it if possible?

Mr. De.—I don't think that there should be any objection to Government so doing.

President.—It can be done this way.

Mr. De.—Whether it can be done or not I cannot say.

President.—What is the difficulty?

Mr. De.—I don't think that Liverpool salt will sell in that way.

President.—If they don't sell, Government will say 'we will buy Spanish salt'.

Mr. De.—F.O.B. Cadiz or Santapola is 18 pesetas per ton.

President.—That is equal to how much?

Mr. De.—9 shillings. What is the freight?

Mr. Mathias.—6 shillings.

Mr. De.—Messrs. Turner, Morrison and Company are paying 16*s.* 6*d.*

President.—Port Said can sell it.

Mr. De.—At what price?

President.—I am asking you.

Mr. De.—More or less I know the manufacturers' f.o.b. prices. Port Said can sell at Rs. 7 per ton f.o.b. The freight will be Rs. 8 to Rs. 10. That makes Rs. 60.

President.—That is the limit.

Mr. De.—That is what I know. Government might get tenders between Rs. 55 and Rs. 60.

Mr. Mathias.—Supposing Government said 'now we are going to ask for tenders for 500,000 tons', do you think that the various firms would tender or would they stand out?

Mr. De.—In that case Government should deal direct with the manufacturers and not with the agents.

Mr. Mathias.—I am speaking of manufacturers.

Mr. De.—They will tender.

Mr. Mathias.—In that case, you will get the salt cheaper than you are getting at present.

Mr. De.—Yes.

President.—That is one thing. Now come to the other thing. Having bought it, Government will have to dispose of it.

Mr. De.—The chief thing is to rectify the speculation.

President.—I asked you this morning and you more or less agreed that all these qualities were marketable. Supposing they abolished the various qualities and said that there should be only one quality: then Government say 'we must fix the price'. You agree that when there is a fluctuation in the price, the consumer does not benefit. If the price goes up, he has to pay more. But if the price goes down, even then he has to pay the same price. Take an example. All these salts have been sold at about Rs. 80 in the past. Government will say "We will always sell it at Rs. 80". Government may buy at Rs. 60 or Rs. 80.

Mr. De.—At the same time Government will declare that nobody else will be at liberty to import any other salt?

President.—That is all stopped. Government will say "We are going to sell it at Rs. 75 or whatever it is". If Government are able to buy it at Rs. 60, it will make the profit which goes to the taxpayer. Afterwards if the price of salt goes up and Government have to buy it at Rs. 80, still the salt will be sold at Rs. 75. When that is generally known in this part of India, the prices in the districts may also correspond more or less to Rs. 75.

Mr. Mathias.—In course of time they will because the price has been stabilised at Rs. 75.

Mr. De.—As a matter of fact Government price will be Rs. 75 for all the districts, or for the Calcutta market?

Mr. Mathias.—For sales through brokers?

Dr. Matthai.—Let us say that the *ex*-golah price will be Rs. 75.

President.—That is for the sake of argument.

Mr. De.—Let us say that the Government rate will be Rs. 100. I am a shopkeeper in Burdwan. I cannot buy or sell in Burdwan at that rate, can I?

President.—The local buyer will have to add his expenses.

Mr. De.—Yes, and the interest on his money.

President.—Yes.

Mr. Mathias.—At present the price which the consumer has to pay is fixed practically by the maximum price at any one period in the year.

Mr. De.—Yes.

Mr. Mathias.—Under the system which has been suggested by the President, as the price will be fixed at Rs. 100 for ever, in course of time, the prices in the districts will level up and probably the consumer will get his salt cheaper under this system although the initial price *ex*-golah may be rather high.

Mr. De.—It may be hoped that it will be so.

President.—Government fixes it at Rs. 75—let us assume that. If a man wants salt at Burdwan, Government can deliver it by adding the freight to the price.

Mr. De.—Are Government going to supply to the districts?

President.—Yes, why not?

Mr. De.—There is no objection. Government will have to open inland bonded warehouses.

President.—Not necessarily. The moment the salt is removed from here, he has to pay the duty and the freight right up to the destination.

Mr. De.—But some salt has to go by flats and country boats. What arrangements will be made for that?

President.—For what?

Mr. De.—Chandpur annually takes 300,000 maunds or thereabout. From Calcutta, the local buyers take it at least 10 miles by small *kistis*. Those places have to be supplied by Government.

President.—I am asking you whether it can be done.

Mr. De.—Government can open warhouses at Chandpur.

President.—There is this objection to Government doing that. The idea is that salt must go direct to the market whichever it is. It may be Burdwan, Patna or some other place. If it is a railway station it goes direct.

Mr. De.—There are some places which are not served by the railway.

President.—Government must arrange to supply those places. I am asking you supposing it was possible?

Mr. De.—I don't think that it would be impossible, and it would take a long time.

President.—Yes. Speculation has been going on all these years. You agree that it should be stopped.

Mr. De.—Yes. During the war, I asked Government to control the prices of salt.

President.—Supposing Government fixed the price at Rs. 75 and that price remained in force for a period of years would not the fact that the Government price has remained constant in itself stop speculation?

Mr. De.—I don't think that there would be any speculation provided the buyers get regular supply.

President.—Government would keep it for 10 years.

Mr. De.—Supposing you have 5,000 tons of salt, I like to buy 10,000 tons.

President.—Government has got all the world to buy from. In a fortnight or three weeks' time you can get that supply.

Mr. De.—In that case you can prevent the speculation.

Mr. Mathias.—By fixing the price at Rs. 75. If Government once teaches them a lesson, the speculation will not take place afterwards.

Mr. De.—Then the speculation will stop for ever.

Mr. Mathias.—It may cost them a little more.

Mr. De.—Not much, if Government is actually willing to do all that.

Mr. Mathias.—As a business man do you think that it would be a very tremendous undertaking for Government to import all the salt which the Bengal market wants provided they used the present agencies and brokers.

Mr. De.—There should be no difficulty.

Mr. Mathias.—They have already got their own golahs.

Mr. De.—Yes.

Mr. Mathias.—It would not be a big thing to ask Government to do it.

Mr. De.—I don't think so.

President.—Government are at present selling 500,000 to 600,000 tons of salt manufactured by themselves.

Mr. De.—Yes, in Sambhar, Khewra and other places.

President.—I am just trying to point out that there should be no difficulty in Government getting that salt.

Mr. De.—No. But it should be crushed.

President.—Yes.

Mr. Mathias.—Government are already accustomed to selling it. All the officers are accustomed to selling it. There should be no difficulty in arranging for the supply of salt to the Bengal market.

President.—At present it is bonded or it is the Customs officers who deal with it. Instead of dealing with the salt on behalf of Government they will deal with it on behalf of a Government department.

Mr. De.—Yes.

President.—If Government did that, there is nothing to prevent the present brokers from selling Government salt.

Mr. De.—No.

President.—Will there be any difficulty?

Mr. De.—No difficulty.

Mr. Mathias.—It might pay the brokers to deal with Government.

Mr. De.—Yes. The best thing is—I am now talking as man to man—there should be a fixed broker to sell the Government salt.

President.—Why?

Mr. De.—I cannot answer. There should be a fixed broker.

President.—What do you mean by 'a fixed broker'?

Mr. De.—I mean one man.

President.—There are not going to be those different qualities and therefore anybody can go and buy salt.

Mr. De.—The importers' brokers will then have nothing to do. The buyers' brokers will have something to do.

President.—The importers' brokers can easily become buyers' brokers.

Mr. De.—They will not turn out to be buyers' brokers. The buyers' brokers go from buyer to buyer whereas sellers' brokers or importers' brokers do not do anything of the kind.

President.—Speculation must be put an end to.

Mr. De.—If Government desires, it can stop speculation.

President.—Is there any other way?

Mr. De.—There is no other way. If the speculation on salt is to be stopped the whole thing should be taken over by Government. The price will have to be fixed by Government for 5 years.

President.—There is another proposal. The business people say they don't want Government to do it. They say it would be better if a Company did it under Government control, that is to say a company was formed to import the salt.

Mr. De.—I am not prepared to pass any opinion on it because it may go against my employers. Some people are coming to give evidence on the 18th and Messrs. Shaw Wallace have appointed me as their representative.

President.—This is a point on which you cannot give your opinion and I wish they would send some one else instead of sending you as their representative.

Mr. De.—I will speak to Mr. Baily about it. May I make a suggestion? I am of course talking from the importers' point of view or the agents' point of view. Let the merchants do the business. Government will purchase 500,000 tons of salt every year. They can say "Shaw Wallace is marketing salt; Turner, Morrison and Heilgers are marketing salt. We will give you so much to sell and Turner, Morrison so much and you cannot sell over and above such and such price".

President.—That won't do because Government must enforce one uniform quality.

Mr. De.—I am talking of one uniform quality. Government is going to import this quality to the extent of 500,000 tons; let them allow Grahams 100,000 tons, Shaw Wallace so much, Turner, Morrison so much.

President.—That would be favouritism; Government won't allow that. There is objection to such a proposal. There is one other thing. This enquiry was originated in the interest of the Indian manufacturer. They claim that they can manufacture this class of salt in India and therefore Government has got to make a provision first of all for the Indian manufacturer, that is to say it will buy the salt from the Indian manufacturer, if it is up to quality, at a fixed price. So far as the Indian manufacturer is concerned he must be paid a fixed price. What the Indian manufacturer cannot supply Government can buy in the open market. That is the idea and therefore Government cannot tell Grahams salt will be so much, or Grax will be so much or Okha so much.

Mr. De.—At present Okha or Karachi cannot meet the demand of Bengal.

President.—It will be gradual. Supposing Government prohibits all imports and then tells the Indian manufacturer " as you go on manufacturing salt we will first of all buy your salt and then buy the remainder in the open market "?

Mr. De.—But the quality will not be the same as these. Aden cannot manufacture salt like No. 8 quality.

President.—I may tell you that half the salts that you saw were manufactured in India.

Mr. De.—I am glad to hear it.

President.—As I say, most of these qualities can be manufactured in India.

Mr. De.—Have these been chemically analysed?

President.—We are getting these analysed.

Mr. De.—It does not taste like Liverpool salt.

President.—So far as the consumer is concerned he will take this salt, and therefore if that salt is manufactured in India there will be no trouble to sell it in the market nor would it be any hardship to the consumer. What leads to the fluctuation in price? Is it purely speculation?

Mr. De.—Yes.

Mr. Mathias.—By whom?

Mr. De.—Speculation sometimes on the part of importers' and sometimes on the part of buyers' brokers.

Mr. Mathias.—That is largely due to so many different qualities being in the market; if there was one quality there would be no room for speculation.

Mr. De.—Why?

President.—Supposing there is no stock in Liverpool or the stocks are so low that much cannot be had of Liverpool salt, then the dealer in Hamburg salt sees that the stock of Liverpool salt has gone down but he has got stocks and he raises the price.

Mr. De.—No. What happens is this. Every Wednesday there is a Conference. This Conference allot the quantities, Liverpool will sell, say, 10,000 maunds. Aden will sell 40,000 maunds and so on. They allot the quantities. Then one man jumps out and says " I will buy the whole of the Liverpool salt " and he holds it, and as soon as the other salts are disposed of he speculates. He comes to the market and says " I can give you Liverpool salt but my price is Rs. 100 " although he has purchased it for Rs. 85 *ex*-golah or *ex*-ship as the case may be.

Mr. Mathias.—That is possible because there are these different qualities.

Mr. De.—This may happen even there is one quality, unless you can meet the demand. Supposing there is an enquiry for 200,000 maunds of

Aden; if you can meet the demand and say "come and pay for it and you will get that quantity" in that case you can check speculation.

President.—That is the idea.

Mr. Mathias.—That is easier to do with one quality.

Mr. De.—It is a good idea no doubt.

President.—When the Government buys in the open market there cannot be any shortage. Formerly the difference between the *ex*-ship and *ex*-golah was Rs. 7, was it not?

Mr. De.—Yes. I have seen golah salt being sold at less than *ex*-ship price but since the establishment of the Conference it rose to Rs. 3 per 100 maunds. But actually it cost Rs. 6 or Rs. 7 per 100 maunds to land the salt into bond.

Dr. Matthai.—Not now?

Mr. De.—Yes.

Dr. Matthai.—The difference between the *ex*-ship and *ex*-golah now is Rs. 3 but the exact difference is Rs. 7?

Mr. De.—Yes. It will cost me Rs. 7 to put it into the golah from the ship.

President.—What is the idea of the Conference in doing this? Are they paying Rs. 4 out of their pocket?

Mr. De.—They are not. Formerly the Conference was selling their salt at Rs. 84 to Rs. 85 per 100 maunds and they had sufficient margin and it never cost them more than Rs. 60 or Rs. 65 per 100 maunds. All crushed salt could sell at Rs. 60 to 65 except Spain. They cannot sell because they have got no liner to carry their salt. Roumania also cannot get freight and if they charter steamers it would cost them 20 shillings per ton freight, but the Roumanian Government can give you salt f.o.b. Constantza at 16 shillings or Rs. 10 per ton.

President.—The freight from there is very high?

Mr. De.—Yes. They cannot import their salt into this market.

President.—What would you like Government to do, to keep a difference of Rs. 8 between the golah price and *ex*-ship price or the present difference of Rs. 3?

Mr. De.—They should keep a difference of Rs. 8, or at least Rs. 7 per 100 maunds.

President.—That would mean that people would like to take salt *ex*-ship as far as possible.

Dr. Matthai.—What is the object of the Conference in reducing the difference from Rs. 7 to Rs. 3?

Mr. De.—That is for the Conference people to answer!

President.—What is your opinion?

Mr. De.—Their intention probably is to sell *ex*-ship salt.

President.—That is bad, isn't it?

Mr. De.—I don't think so. There are certain places such as Naraingunge, Chandpur, etc., which must be supplied from *ex*-ship delivery.

President.—Therefore they are making more money out of it?

Mr. De.—Yes.

Dr. Matthai.—Does it particularly hit shipments from Karachi?

Mr. De.—I don't think so. 18,000 maunds of vaca quality Karachi salt was fully taken delivery of *ex*-ship. They sold their salt at Rs. 72 per 100 maunds.

Dr. Matthai.—Take a new works like Karachi which is trying to find a footing in the market. When it sends its consignments it would be difficult for it to get merchants here to take deliveries *ex*-ship as it is new to the market.

Mr. De.—No. If they improve their quality there will be no trouble but the present quality, I mean their shipments by B. I. boats, is not superior to Aden and other qualities but the stuff that arrived by the 'Orna' is of excellent quality and has got a better price and the whole of it has been sold *ex*-ship. Not an ounce will have to be stored in bond.

President.—I don't see the point in bonding the salt in Calcutta if it has to go out again. **What is it due to?**

Mr. De.—It is due to chartering conditions. The terms of delivery in the case of "Meghna" is at the rate of 500 tons a day. Practically it takes 15 days to discharge a ship. If importers cannot discharge according to the terms of the charter they have to pay demurrage and so they put it into bond. The consignment by the 'Meghna' I am trying my utmost to sell outright *ex*-ship, and am not going to put an ounce into the golah if I can sell it. *Ex*-ship delivery to-day is the fourth day I am working the steamer and I think I will have to put about 2,000 tons into the golah.

President.—That is because there are so many different importers but if there was only one importer he would be able to distribute it *ex*-ship.

Mr. De.—Yes. If there is one importer he can control everything.

President.—And he can give delivery *ex*-ship to all the markets.

Mr. De.—Yes.

President.—Supposing Government wants to give you as much salt as possible *ex*-ship, it can do it better than all the importers.

Mr. De.—Why?

President.—Because it is in touch with the whole market, whereas you are in touch only with a certain section, is not that so?

Mr. De.—I don't thoroughly understand what you mean by this.

President.—Supposing Government says 'instead of bonding, we will try and dispose of as much as possible *ex*-ship, what is the procedure that the Government ought to follow?

Mr. De.—Delivery should be given according to the requirements of the dealers.

President.—*Ex*-ship?

Mr. De.—*Ex*-ship delivery sometimes there may be circumstances which would necessitate the delivery of 90 per cent. Sometimes you may not deliver even 10 per cent. It will depend on the demand.

Dr. Matthai.—Supposing the position was this that instead of the present importers you had Government control and beyond that more or less the present organisation. At present there are sellers' brokers working on behalf of the importers. You might have selling brokers on behalf of the Government. In that case Government would work exactly in the same way as the exchange is working here.

Mr. De.—Yes.

Dr. Matthai.—That would not necessarily encourage speculation. If Government is prepared to sell at a fixed price, sellers' brokers would mention this fixed price to the buyers' brokers and therefore there would be no speculation.

Mr. De.—No, because Government price is fixed and so it will be known to everybody in the market and there will be no fluctuation.

Dr. Matthai.—What will happen?

Mr. De.—Government have fixed the price. Why does the broker ask for more?

Dr. Matthai.—What will happen is simply a pooling of orders. The buyers' broker says that these are his orders and the sellers' broker supplies on behalf of the Government. Then I think the market would work fairly well.

Mr. De.—Yes.

President.—I think you said this morning a good deal of the salt is sold in the market at a fairly high price, because of the Conference.

Mr. De.—Yes.

President.—Now the Conference is broken up, do you think that this salt won't sell at such a price?

Mr. De.—Certainly it will be sold, but not at that price.

President.—But at a lower price it will be sold.

Mr. De.—Yes. No. 4 can be sold at the same price.

President.—Same thing might be said of Liverpool price.

Mr. De.—Liverpool will have to cut down their rates.

President.—When Liverpool for instance sells at Rs. 122, it will only get Rs. 122, and others are sold at about Rs. 118, is not that so?

Mr. De.—It is so, but not at present.

President.—They had to raise the price of other salts in order to give Liverpool this price of Rs. 122.

Mr. De.—The point is not that. Every manufacturer would like to make money.

President.—Liverpool salt could not sell, because the difference between the Liverpool salt and the other salts was Rs. 20.

Mr. De.—If you ask Rs. 30 for No. 4 and Liverpool is willing to sell at Rs. 45, can sell any quantity liked.

President.—The position is this just by way of illustration.

Mr. De.—The Conference people is already dissatisfied with me and they will be more dissatisfied if I am to disclose more things.

President.—You will be doing public service, Mr. De.

The position is this:

	Rs.
Liverpool	118
Hamburg Vaca	114
Hamburg fine	108
Spain	108
Port Said	101
Massowah	101
Aden	101
Indo-Aden	100

Liverpool could not sell. What they did was this.

Mr. De.—How can you say that Liverpool could not sell?

President.—For the simple reason that they say so.

Mr. De.—Who says so?

President.—The Conference says so.

Mr. De.—That is wrong.

President.—The difference between Spain and Hamburg fine and Liverpool was Rs. 15. Therefore what they did was that they retained the price of Liverpool at Rs. 118; they raised the price of Hamburg fine to Rs. 105; Port Said from Rs. 101 to Rs. 108, Massowah to Rs. 108, Aden to Rs. 108 and Indo-Aden to Rs. 107.

Dr. Matthai.—Their point was that they allowed a certain quota of Liverpool salt and they were not able to sell up to that quota. In order to make up the deficiency they adjusted the prices.

Mr. De.—I don't agree to that.

President.—They did it.

Mr. De.—I may be wrong. This is not the case.

President.—What do you suggest is the case?

Mr. De.—They have got their own depôts.

President.—Who?

Mr. De.—The importers.

President.—What about it?

Mr. De.—What they do is they declare to the market that they are not the sellers. They pay the duty, take delivery into the wagons; send it to several stations and make a decent profit.

Mr. Mathias.—One member of the Conference deceives the other?

Mr. De.—Exactly.

President.—You can say 'I don't agree'.

Mr. De.—Will you please allow me to bring my record for one year and show it to you?

President.—I should be pleased.

Mr. De.—No broker has got such records as I have. I will tell you how much Liverpool salt sold every day.

President.—I have no doubt that you will be able to show me. The point that strikes me here is that there is a difference of Rs. 15 to Rs. 17 between Liverpool salt and Hamburg and Port Said and others.

Mr. De.—The importers' broker comes and says 'my price of Liverpool salt is Rs. 83'. I dare say at once the salt is sold to a marwari dealer at Rs. 83. In half an hour's time, he might have sold it to another man and made a profit of Rs. 5 per 100 maunds.

President.—They say the price was raised in order to make up the deficiency for the Liverpool salt, but you don't think that that is the correct explanation.

Mr. De.—No, but I may be wrong.

President.—We have no means of judging except that those prices remained for a long time.

Mr. De.—They remained so and every day Liverpool salt was sold at that price.

Mr. Mathias.—The simple explanation is that the Aden people or the Massowah people are getting Rs. 118. They want Rs. 100 and they have pushed up the price.

Mr. De.—Have you seen the Salt Circuit? It is a Circular issued every mail day.

Dr. Matthai.—By whom?

Mr. De.—By me.

Dr. Matthai.—We have seen J. N. Adhikari and Company's Circular.

Mr. De.—That is my Circular.

Dr. Matthai.—They don't say that they didn't sell salt. They say that they have not been able to sell as much as they could. This refers to somewhere about March, 1927.

Mr. De.—That is right, but at the same time the authorities would be pleased to see the allotment to different qualities of salt. 24 per cent. has been allotted to Grahams. That is for Aden salt. Liverpool is allotted only 19 per cent. How can it sell? 18½ per cent. is allotted to Port Said and 15½ per cent. is allotted to Indo-Aden whose proprietor is Mr. A. J. Lalljee. Why should any particular firm be allowed to sell more than the quantity allotted to them that can't sell over and above the quantity allotted to them? If an importer has oversold more than the quota, he will get no allotment until other importers complete their quantity.

Dr. Matthai.—What they say is they have fixed their quotas on the average of the previous three years.

Mr. De.—Yes.

Dr. Matthai.—If you take for example 15 per cent. as the quota, it means that it is the average of their sales for the previous three years. If for

some reason Liverpool has not been able to sell the quota allotted to it, the only way by which it can be helped to sell up to this quota is by an adjustment of prices.

President.—Are you familiar with the freights which the manufacturers pay?

Mr. De.—More or less.

President.—At present the freight market is bad from the shippers' point of view.

Mr. De.—It was worse, but now it has come down. The freight is slack.

President.—You are talking from the other point of view. Are the freights high as compared with what they were before?

Mr. De.—The freights are lower than they were before.

President.—Before means what?

Mr. De.—I mean in pre-war.

President.—They were lower than pre-war.

Mr. De.—I beg your pardon. At present Aden freight is Rs. 6. Last year it was Rs. 7-12-0. The average freight from Aden to Calcutta is Rs. 6-8 to Rs. 8. Port Said is about 10 to 12 shillings by Italian liners.

President.—How much is the Spanish freight?

Mr. De.—16*s.* 6*d.* to 18*s.* 6*d.*

President.—And Hamburg?

Mr. De.—6 shillings. Mr. E. J. A. is the proprietor of Hamburg salt I presume he is also the proprietor or partner of the Hansa line.

Mr. Mathias.—What is the Liverpool freight?

Mr. De.—If you are going to charter a tramp steamer, you have to pay 20 shillings.

Mr. Mathias.—What is the actual freight?

Mr. De.—6*s.* 6*d.* per ton by two lines. Anchor Brockle Bank Line and Star and Harrison Line.

Dr. Matthai.—Was it higher last year?

Mr. De.—No. It has been in force for some years. Even during the war time the freight was 6*s.* 6*d.* They never bring the full cargo by the steamer. Whatever space they have got after taking the general cargo they bring salt. They generally bring partial cargo. Sometimes they carry 590 tons and sometimes they carry 1,500 tons.

President.—What was the Saliff salt?

Mr. De.—It came from Turkey. Since the war it was discontinued.

President.—They used to get fairly large quantities.

Mr. De.—Yes.

President.—That salt no longer comes.

Mr. De.—No. It is a natural salt and can be sold very cheap. It is not necessary for them to manufacture salt. They have got heaps and heaps of rock salt. One dynamite can produce one steamer full load of salt.

President.—Why does it not come here?

Mr. De.—At present money and life are not safe there. Messrs. Shaw Wallace and Company sent one of their representatives. He went up to Hodeida, port for Saliff.

President.—Is it Asiatic Turkey or European Turkey?

Mr. De.—Asiatic Turkey.

President.—I just wish to know where this place was, because it suddenly disappeared.

Mr. De.—It only disappeared on account of the war. Messrs. Balmer Lawrie and Company were the agents for that salt.

President.—That is also a possible market for the Government to buy salt.

Mr. De.—Yes, it is natural salt.

President.—Is it good?

Mr. De.—Not like No. 8.

Dr. Matthai.—Is it like No. 4?

Mr. De.—Yes, it is rock salt which has to be crushed.

President.—How can you define the quality of karkatch? Will the market take any kind of karkatch?

Mr. De.—Yes, provided the crystals are not small but as big as half inch.

President.—We don't see such crystals.

Mr. De.—I can show you karkatch salt more than one inch long.

President.—What is the difference between karkatch and crushed?

Mr. De.—It all depends on the demand. Last year karkatch was sold at Rs. 64 *ex*-ship.

President.—That is more than crushed.

Mr. De.—Yes.

President.—That is also owing to the fact that there is no stock.

Mr. De.—No. It is also due to the fact that there is a good demand from Nepal, where the salt is sold by measurement and not by weight.

President.—What about the Bombay salt? How can you get rid of it from here? Is there any means?

Mr. De.—That quality is approved by Nadia, Malda and partly Burdwan. The actual consumption is about 14,000 to 20,000 tons a year.

Mr. Mathias.—Is not the karkatch of Grax Limited good?

Mr. De.—Yes. It can be sold in competition against Aden karkatch.

President.—Could it be sold to Nepal?

Mr. De.—We will have to send samples to Nepal and get their opinion.

President.—I understand that karkatch is popular where it is sold by measurement.

Mr. De.—Yes.

President.—That is to say it is a fraud on the consumer.

Mr. De.—Yes.

Dr. Matthai.—Have you any idea of the quantity of Aden karkatch imported into Bengal? Would it be 10 per cent. of the whole output?

Mr. De.—No.

Dr. Matthai.—Approximately how much would you estimate it at?

Mr. De.—About 12,000 tons comes from Aden and 8,000 tons from other ports.

Dr. Matthai.—Most of that goes to Nepal.

Mr. De.—Half the quantity goes to Nepal.

President.—Supposing you are to fix a price for karkatch, how much below the price of crushed salt would you put it at?

Mr. De.—We should deduct the crushing expenses.

President.—That is all?

Mr. De.—Why not? It should be fair. When Government are going to deal with it, it is fair to sell it at the same price as the other salt less the crushing expenses.

President.—Then, the Bombay salt can come in as it is doing now.

Mr. De.—Yes. Nadia and Malda will prefer that provided it comes. If it is not coming in the markets then it is quite a different thing.

President.—We cannot stop the Bombay exporter from sending his salt to Calcutta. Supposing the Aden salt is sold at Rs. 10 below that of the Bombay salt?

Mr. De.—They will still eat that, if they can get the Bombay salt.

President.—That is only a small quantity.

Mr. De.—Yes.

Mr. Walker.—Why does Nadia like this?

Mr. De.—It is superstition. They think that it is pure salt, whereas it is only a rejection of Bombay salt.



Evidence of Messrs. M. A. HUGHES and H. WEBB, representing Messrs. Turner Morrison and Company, Limited, Mr. F. G. GOULD, representing Messrs. Grahams Trading Company, Mr. W. C. G. BRODIE, representing Messrs. Lionel Edwards Limited and Mr. MARCEL GREZOUX, recorded at Calcutta on Wednesday, 15th January, 1930.

President.—What salt do you represent, Mr. Hughes?

Mr. Hughes.—The Salt Union.

President.—That is Liverpool?

Mr. Hughes.—Yes, and I also represent Spanish and Massowah.

President.—Which Spanish?

Mr. Hughes.—Union Salinera. Massowah is the Societa Italiana.

President.—Where do they manufacture this salt?

Mr. Webb.—Salt Union in Liverpool, Union Salinera in Torreveija Societa Italiana in Massowah.

President.—You represent the Italian Salt Works, Aden?

Mr. Gould.—Yes.

President.—Mr. Hughes, I suppose your firm has been connected with Liverpool salt for many years and you are at present their only representative here?

Mr. Hughes.—Yes.

President.—Are you simply commission agents?

Mr. Hughes.—Yes, we merely get commission on sales.

President.—Is that a fixed percentage?

Mr. Hughes.—Yes, 2½ per cent.

President.—That is the usual rate for most imports?

Mr. Hughes.—It varies between 2½ and 3 per cent.

President.—Do you get any additional payments?

Mr. Hughes.—None at all.

President.—Is it on the invoice price or the realised price?

Mr. Hughes.—On the realised price.

Dr. Matthai.—Realised price excluding duty?

Mr. Hughes.—Yes.

President.—Have you got authority to vary the prices as you like or have you got to take orders?

Mr. Hughes.—We have authority to vary the prices.

President.—You are expected to get the best market price you can?

Mr. Hughes.—Yes, according to the trade demand.

President.—Are you in the same position, Mr. Gould?

Mr. Gould.—Our commission is 3½ per cent. on the net price, that is, sale price less all charges. Out of the sale price we have got to pay freight.

President.—Freight also is eliminated?

Mr. Gould.—Yes.

President.—It will be less than 2¼ per cent. on the gross?

Mr. Gould.—It will be less. 2½ per cent. on the gross price is just roughly 5 per cent. on the net price.

President.—Mr. Hughes, do you send indents against orders or do they simply send whatever salt they like?

Mr. Hughes.—They send whatever salt they like. We keep them informed of the state of the market and they ship according to their judgment.

Mr. Mathias.—You control prices; you regulate your supplies and the prices very much depend on the market and the quantity. I don't quite understand how you have full discretion to regulate prices when your principals have full discretion to ship as much salt as they like? Do they give you general instructions as regards prices?

Mr. Hughes.—Prices are telegraphed to them every week. We keep them informed.

Mr. Mathias.—You cannot undertake any radical alteration for example a reduction of Rs. 30 per 100 maunds?

Mr. Hughes.—No, not to that extent.

President.—Do they provide the freight and pay for the freight?

Mr. Hughes.—They arrange all the freight.

President.—You have simply got to take delivery?

Mr. Hughes.—That is all we have got to do.

President.—Before we go on I may tell you that we asked the conference for certain information as regards prices but we have not got them.

Mr. Hughes.—I expect them by next mail and as soon as I get them they will be sent on to you.

President.—Does the conference still exist?

Mr. Hughes.—Three of the members have resigned.

Mr. Mathias.—This conference came into existence in 1927; before that was there anything corresponding to this salt conference?

Mr. Hughes.—Many years ago. One that I know of was formed in 1912 but that was purely an importers' conference.

Mr. Mathias.—That had nothing to do with the manufacturers?

Mr. Hughes.—No.

President.—How do you dispose of this salt? Your principals consign this salt to you I take it and then do they employ any special brokers or what do they do? What is your practice Mr. Gould?

Mr. Gould.—We sell *ex*-ship or *ex*-gola through brokers.

President.—Are these your paid servants?

Mr. Gould.—No. We pay them Rs. 6 per 1,000 maunds.

President.—What is your practice Mr. Hughes?

Mr. Hughes.—Our broker is on a salary basis.

President.—You don't pay any commission?

Mr. Hughes.—No. They are not brokers in that sense. They have a room in the office and they are paid fixed salaries.

President.—Do the principals pay for their salaries or do you have to pay out of your commission?

Mr. Hughes.—We pay.

President.—Can you give me some of idea of what this establishment costs you?

Mr. Hughes.—Rs. 400 to Rs. 500 a month.

President.—Mr. Gould, this Rs. 6 that you pay to your broker does it go out of the price you get?

Mr. Gould.—That is debited to the principals. What we pay in the shape of brokerage is deducted from the price we receive from the dealer.

President.—Then they find the buyers?

Mr. Gould.—Yes.

President.—Now when there is no conference how are the prices fixed?

Mr. Gould.—We just follow one another. What we did at the conference was to arrive at certain differentials between the qualities and so far as possible we tried to maintain those differentials. We are trying to do the same now. For example, we take Port Said at one rupee over our price; if they sell at Rs. 59 we sell at Rs. 58.

President.—Do you give any general order to your brokers to sell at the market price?

Mr. Gould.—They come in the morning and report what the prices are and what others are doing and on that I give my instructions We have to follow the market.

President.—In fixing prices what do you take as your criterion, the Liverpool price or what?

Mr. Gould.—In my case I take the competitive salt, something of the same class as my salt.

President.—What do you do about Liverpool salt, Mr. Hughes?

Mr. Hughes.—We are doing much the same way. We try to keep this difference that we have given you.

President.—Generally speaking now that there is no conference you simply follow this differential?

Mr. Hughes.—These rates used to be fixed every week by the conference but now it is really a question of cutting rates.

President.—Let us get on to the conference. This conference came into being in 1927?

Mr. Hughes.—Yes.

President.—Who started the idea of this conference?

Mr. Hughes.—The Salt Union It was done by arrangement between the principals at home.

Mr. Gould.—I think the first step was taken by Liverpool and all the principals were consulted and it was then arranged that we should form a conference.

President.—Were there any conditions then which necessitated the formation of the conference because the prices were pretty high at that time?

Mr. Hughes.—I think prices weren't too high at that time.

President.—You start a conference when you are in more or less depressed condition to get better prices, but in this case it does not appear that the prices were very much below what they had been in 1926, and according to my figures from October 1926 the prices were pretty high

Mr. Hughes.—I think the idea of the conference was to regulate the demand and try and stop fluctuations in prices and so to put the whole business on a firmer footing.

President.—That isn't a very easy thing to do when there are so many competing countries and so many different varieties of salt: any rationalisation would be a hopeless business.

Mr. Hughes.—If we hadn't done that the whole market would have been swamped with other salts that were coming into the market.

President.—I could quite understand your being able to control the supply and bring it on a level with the demand if you had one or two qualities to deal with and if you had a definite market for each, but when there are so many different varieties of salt it is a very difficult thing to do.

Mr. Hughes.—If there was no control at all the import of salt would increase enormously and salt would be coming in from all sorts of places.

President.—You must have full control over the supply to be able to regulate prices that is to say you must have some sort of a monopoly and

then only would it be feasible, because then nobody else can bring salt in, but when the whole world is at liberty to come in, I don't see what purpose any conference could serve and how long it could last.

Mr. Gould.—We found that out of the price a very fair amount went to the middleman and we felt that this should be stopped. We also felt that the trade so far as imported salt was concerned was already fully catered for and that there was no room for outsiders. We therefore decided to form this conference to conserve the trade for those who had started it and built it up. There was no question of fighting indigenous salt; we knew they were there and must be there. The idea was to keep out foreign salts which had not been coming into India before as we saw no reason why they should reap the reward of our labours and enter a market which we had built up.

President.—I quite understand that, but the basis for the conference was not a good one for the reason which I have just now stated, that unless you had such a combination that you could keep all outsiders definitely out or unless you had control over the supplies, I do not see how it is possible for anybody to work a conference of this kind.

Mr. Hughes.—I think the idea was to keep the rates at a certain level to prevent outsiders coming in. It has been done successfully. If you look at our statement you will see that the rates have been very steady ever since August 1928 up to date.

President.—Practically the maximum for six years.

Mr. Hughes.—Certain salts have been kept out for example Constanza.

President.—What is the reason for the conference breaking up?

Mr. Hughes.—One of the members took up an outside agency which was objected to by Port Said who resigned. Following that two others resigned.

President.—That is Port Said.

Mr. Hughes.—Port Said resigned first.

President.—Who was the second to resign?

Mr. Hughes.—Massowah.

President.—And now you have resigned?

Mr. Gould.—There is no conference now.

Dr. Matthai.—When did this happen?

Mr. Webb.—On the 6th of this month. The rates were reduced sometime before in December.

President.—Who started it?

Mr. Webb.—D'Jibouti and the new Spanish cargo which has just arrived.

President.—And there was a cut of Rs. 7 on an average.

Mr. Webb.—Yes.

President.—Let us see how you fix your differentials. When the prices were established in August, 1928, Liverpool was at one extreme end and Indo-Aden at the other with a difference of Rs. 8. Then there was a difference of one rupee between the Red Sea ports.

Mr. Hughes.—January, 1929 is the best example.

President.—Take January, 1929. There was a difference of Rs. 15 between Liverpool and Indo-Aden. How do you base that difference?

Mr. Hughes.—Based on the quality.

President.—But then the difference has varied so much under free competition. Who determines the quality? Just tell me how you do it?

Mr. Hughes.—The differential depended on the demand to some extent.

Mr. Mathias.—Importers cannot sell as much as they wish.

Mr. Hughes.—Everybody is allowed to sell according to his quota.

Mr. Mathias.—But they cannot always sell that quota except by establishing a difference in the prices.

Mr. Hughes.—This difference enabled everybody to sell their quota.

Dr. Matthai.—If you find difficulty to sell Liverpool, then the margin can be slightly reduced.

Mr. Hughes.—Yes, if I am unable to sell, the margin should be reduced. That has been continually happening.

President.—It would mean that quality is really the secondary consideration in this. It all depends on the demand for the time being for that one particular class of salt.

Mr. Gould.—That would apply in certain cases. If the demand for a certain salt was there and if that particular salt was not available, buyers would turn to some other grade.

President.—It will depend, as I say, more on the stocks.

Mr. Gould.—Exactly.

President.—Than on the demand and quality.

Mr. Gould.—Each one is allowed to sell up to its quota.

President.—So that if there is no Liverpool or other superior salt, the man may be compelled to buy the Indo-Aden and the price of Indo-Aden may go up.

Mr. Gould.—Indo-Aden might sell over its quota and then naturally, some one else would become undersold.

President.—Supposing you were oversold, that is to say you were just above the Indo-Aden and the Indo-Aden might get a much better price than you could, because their salt was comparable to yours.

Mr. Gould.—It doesn't follow. It is hardly credible that all salts with the exception of one would be in the market. You would have perhaps Liverpool out of it. You might have Massowah, Port Said and Aden in the market so that you could not say that because one particular salt was out of the market, the remaining salts could get better prices. Buyers know that it is only a question of a week or two, and they would have this other salt available. If an importer put up his price for that reason, the dealer would say that he would prefer to wait, pay a higher price and get a better quality.

Mr. Hughes.—Generally speaking except for Indo-Aden, nearly all salts have been available either *ex*-golah or *ex*-ship. Nobody will be out of the market altogether.

President.—Owing to this system of quotas that you have got here, it would encourage speculation in each class of salt, would it not?

Mr. Hughes.—I don't think so.

President.—I put it this way. Take Liverpool salt for instance. They know what your quota is. They know what you have sold. They know how much more you can put in the market. They go and buy the Liverpool salt in the market. In that way they may push up the price of the Liverpool salt in the bazaar even though your price may remain the same. Doesn't that happen?

Mr. Hughes.—It doesn't. We are never out of the market. There is always salt available.

Mr. Gould.—If that position was to arise, the buyer would not take Liverpool, because other salts would be available. So long as it is there to be had at the differential which we have arrived at here, he would take the other salt.

President.—Are there any forward sales in the bazaar?

Mr. De.—Gollah sales are made. There is no fixed delivery. Buyers take delivery of salt from the gollahs when they get their turn.

President.—For the forward sales a time is fixed and if by that time owing to this quota arrangement Liverpool is not able to sell, what happens to the market?

Mr. Hughes.—That position has never arisen.

Mr. Gould.—We have never noticed the market affected.

President.—I am getting away from the point. How do you fix these differentials? First adjustment was made on the 6th April, 1927. The reason given is the increase in the rates of certain qualities was made to enable the Liverpool and Spanish interests to make up deficiencies in sales. What you did then was to raise the price of all salts except Hamburg, Vacca and Liverpool—Rs. 7 in the case of Spain, Port Said, Massowah, Aden and Indo-Aden and Rs. 9 in the case of Hamburg fine.

Mr. Gould.—For what period was that?

President.—6th April, 1927. You reduced the differential from Rs. 18 to Rs. 10 or Rs. 11.

Mr. Hughes.—Yes.

President.—That means whatever happens the consumer has got to pay more for all salts except for Liverpool and the percentage of Liverpool being comparatively small, the price of 85 per cent. of the salt is raised.

Mr. Hughes.—I was not in the conference at that time, but I think there was a fair amount of adjustment later on. It took some time to find out the right differential in order to enable everybody to sell their allotted quota. You will find later on that the difference was much more stable.

President.—The whole point is in that period your quota was 15¼ per cent. and Spain about 3 per cent.

Mr. Hughes.—Spain was 12 per cent.

President.—That came to about 27 per cent. For that you raised the price of 73 per cent. of the salt and then again two months later prices were raised considerably.

Mr. Mathias.—That I don't follow. You say '8th June, 1927. Adjustments were made at this date to level up other rates in comparison with Liverpool'. Actually we find Rs. 4 increase in Liverpool, so that you have increased your rates all round.

President.—Hamburg Vacca Rs. 7, Hamburg fine Rs. 8 and all the other salts went up by Rs. 8.

Mr. Hughes.—Liverpool went up only by Rs. 4.

President.—Hamburg Vacca by Rs. 7 and all the other salts by Rs. 8.

Mr. Gould.—The lower qualities were finding it difficult to sell.

President.—You have given them a higher price.

Mr. Gould.—I beg your pardon. That is not the explanation.

President.—What is the explanation then?

Mr. Gould.—We did try these methods of raising and decreasing prices to enable the undersold to make up his quota. It was a matter which was discussed at the conference and we decided later on another system and that was to make weekly allotments. The party who had oversold was given less in the following week, and the prices were left untouched.

Mr. Mathias.—Why did you raise the price of Liverpool?

Mr. Gould.—This was before we adopted the new method.

President.—When did the new method come in? It goes on like that until the 18th November, 1927. You say 'Reductions were made here to compete with three competitive foreign salts then arriving in the market'. What were these salts?

Mr. Hughes.—Constanza, Tunis and Spanish cargoes.

President.—You reduced your prices by Rs. 15 all round.

Mr. Hughes.—Yes.

President.—And still the prices were pretty high.

Mr. Hughes.—The chief reason for the reduction was that certain people in London made a contract with Roumanian Government for a period of years, and that was a very dangerous factor.

Mr. Mathias.—Can you give me the explanation of the Liverpool salt going up from Rs. 118 to Rs. 122; I cannot follow your explanation? Why should it be necessary to push up Liverpool salt in June, 1927?

Mr. Hughes.—It was all part of a re-adjustment of prices.

Mr. Mathias.—If the object of your Association is to stabilise prices it does seem a little hard that one of their steps should be to increase prices all round. Of course in certain instances it would be quite intelligible. For instance if you had information of this Constanza salt coming in two or three months' time, it seems to me that it would be a perfectly reasonable policy to pursue for three months and say "we will take our opportunity, put up prices by Rs. 4, so that we may be in a position to reduce our prices by a larger amount than we would otherwise be". That is quite intelligible.

Mr. Webb.—It is more than probable, that it was due to Liverpool having sold larger quantities than their quota. The prices were put up to check them.

Mr. Mathias.—That I quite understand, but you put up the prices of other salts too.

Dr. Matthai.—Is the explanation probably this that about this time in 1927 the freights from Aden were unusually high and therefore probably Indo-Aden and Aden might have represented that with Rs. 100 they would not be able to cover their freight charges?

Mr. Hughes.—That question of freight is a contributing factor.

Mr. Mathias.—At Rs. 107 they would have been making a very good profit.

Mr. Hughes.—The price of Liverpool was put up to maintain the differentials.

Mr. Mathias.—You don't think that it was due to the reason I have given a little while ago, *viz.*, to fight the Constanza salt.

Mr. Gould.—No.

Mr. Hughes.—When the rates had to be altered they fixed the price of Liverpool at Rs. 122 and worked accordingly.

President.—It is a fair inference to make that if the differential between the Liverpool and the Red Sea salt is more than Rs. 7 or Rs. 8, Liverpool salt cannot find a market. That is what it looks like from these figures.

Mr. Hughes.—They may not find a sufficient market for their share of the trade.

President.—That is what I say. In order to get rid of the 15 per cent quota if the differential was more than Rs. 7 or Rs. 8 per 100 maunds, they would not find it so easy to dispose of their salt.

Mr. Hughes.—Certainly.

President.—That is to say by differential I mean economic differential between Indo-Aden and theirs. That would enable them to sell their quota.

Mr. Hughes.—It has been Rs. 15.

President.—Mr. Hughes, you would put it at Rs. 15?

Mr. Hughes.—Yes.

President.—When you made your first reduction on the 6th of April the differential was Rs. 18 and you found that you could not sell Liverpool and then you brought it down to Rs. 10 or Rs. 11. But apparently that had not the sufficient effect. So, on the 8th of June, the differential was reduced to Rs. 8.

Mr. Mathias.—When did the conference increase the quota of Indo-Aden salt?

Mr. Hughes.—The quota remained unchanged. The conference helped the people to get their quota. Without a conference I don't think we shall get the difference of Rs. 15 but with the conference by restricting the amount which everybody has to sell we get the difference.

President.—That is precisely what I want to get at. In a free market at what differential would you be able to sell your quota or quantity?

Mr. Gould.—Rs. 8 or Rs. 9.

President.—That is the differential.

Mr. Gould.—Yes, before the conference that was the difference.

President.—It is not quite clear who benefits by this whether Liverpool gets a better price or the other salts also get a better price?

Mr. Mathias.—I see in October 1926 before the conference came into force that Liverpool was Rs. 122 and Indo-Aden Rs. 115, so that it would appear that without any manipulation by the conference the difference would be about Rs. 7.

Mr. Hughes.—Yes. At that time these differences were affected by quality. Then, Indo-Aden improved their quality considerably.

President.—But now the quality resolves itself into Rs. 7 to Rs. 9 per 100 maunds. That is the value of the quality so far as the Calcutta market is concerned.

Mr. Gould.—I don't quite follow your question.

President.—The figures indicate that the quality resolves itself into this difference of Rs. 7 or Rs. 8 per 100 maunds. And yet by comparison one would allow that the Liverpool salt was worth more than the other salts, taking the quality into account. Would you not say so?

Mr. Hughes.—Yes.

President.—I am talking of normal conditions. Under free competition Liverpool cannot get more than Rs. 7 or Rs. 8 more than the other salts.

Mr. Hughes.—That is so.

President.—Can you give me any idea, Mr. Hughes, as to what is the extreme limit at which Liverpool would care to have this market rather than let it go. Do you think that this figure of Rs. 80 or 79 is about the limit? Can you give me any idea?

Mr. Hughes.—It is very difficult for us to say.

President.—It is rather important for us to know that.

Mr. Gould.—Subject to there being no freight fluctuations you mean?

President.—That will affect all the imported salt probably. There are two considerations—first of all how far your limit may determine their prices. On the other hand their limit may be so reduced that you may entirely go out of the market. So we have to find the two extreme limits. On the figures we have got so far it looks that Rs. 50 is the limit for the Red Sea salt, which appears to be reasonable. It might be even Rs. 55, but I have not calculated.

Mr. Gould.—It is more or less right.

President.—If the differential was only Rs. 7 or Rs. 8, unless Liverpool is prepared to sell at Rs. 62 or Rs. 63, it cannot hope to get the market.

Mr. Hughes.—Quite. I understand the idea of the enquiry is to prevent the import of foreign salt.

President.—The idea is that the Indian salt should come into the market. I will put it rather that way.

Mr. Hughes.—Eventually the foreign salt will disappear and the Indian salt will come in?

Mr. Mathias.—The Port Said salt is equally foreign salt. If you substitute the Liverpool salt by the Port Said salt, it will be of little advantage to the Indian salt.

Mr. Hughes.—Strictly speaking, Empire salt is not "foreign" salt but apparently you would consider anything that is imported from outside India as foreign salt.

President.—The point I wish to get at is supposing we recommended that the Indian salt ought to be encouraged it is obvious that we must find the limit at which the foreign salt would cease to come in.

Mr. Hughes.—Yes.

President.—As I say, the price of the foreign salt depends on two very different considerations. Normally speaking, Liverpool would control the other prices. But Liverpool's quota being only 15 per cent., Liverpool might well say ' we don't want it ' instead of taking this very low price.

Mr. Hughes.—Quite right.

President.—Then the question arises how far India has got to compete against the other salts. We have not decided whether we should treat the Aden salt as foreign salt or as Indian salt. If the lowest limit to which Aden can go or Port Said can go is Rs. 50 or thereabouts, then what it means is that the Indian salt has got to eventually reach that figure.

Mr. Hughes.—Yes.

President.—Can you give me any idea as to how far Liverpool would compete in a free market?

Mr. Hughes.—I am afraid I cannot. The rates seem to me low already.

President.—You have gone lower than that in the past. You have got down to Rs. 58 in October 1925.

Mr. Hughes.—Mr. Webb says that rates have been down even to Rs. 34.

Mr. Mathias.—That was before the war.

Mr. Webb.—Yes.

President.—If you can go down to Rs. 58, Aden and other people will have to come down to Rs. 50. That is precisely the figure I am thinking.

Mr. Hughes.—It is very difficult for me to say how low they will go. There is a point at which they will disappear from the market, but I cannot say what that point is.

President.—As regards Port Said, Mr. Grezoux, you have now withdrawn from the conference.

Mr. Grezoux.—Yes.

President.—What was the reason?

Mr. Grezoux.—The reason was that one of the associates of our conference took up an outside agency.

President.—Which firm was that?

Mr. Grezoux.—Messrs. Lionel Edwards Ltd. They took up the agency of Assab salt. When we formed into a conference, it was an understood fact that none of us would take up any outside foreign salt agency. In spite of this understanding, Messrs. Lionel Edwards Limited took up the agency of Assab salt. They declared it at one of the meetings held in Europe, but still we continued in the Conference because we wanted to see whether this matter would mature. We now find that they have chartered a steamer which is due here about the end of this month. So, we have withdrawn.

President.—You intend to carry on by yourselves.

Mr. Grezoux.—We hope so.

President.—Is India your principal market?

Mr. Grezoux.—Yes.

President.—What percentage do you sell in India of your production?

Mr. Grezoux.—What our production is, and what percentage we import here, I do not know. These my principals know. But I know that the bulk of their production is sent here.

President.—I daresay that your firm would make some attempt to keep the market in its hands.

Mr. Grezoux.—There is a point which I wish to bring to the notice of the Tariff Board. We imported, during the war, about 50 to 60 per cent. of the consumption of Bengal on account of our geographical position and output, when the imports of other foreign salts became restricted owing to

scarcity of tonnage, etc. Had we not done so, there would have been a serious shortage of salt in India.

President.—You did not do badly by yourselves by that.

Mr. Grezoux.—I do not say that we did badly. All I say, is, that it will be hard for us to find ourselves driven out after so many years' hard work.

President.—Liverpool was supplying 85 per cent. of the demand before.

Mr. Grezoux.—Yes, but that was when there was no competition.

President.—Am I to take it that this differential is based on the opinion of the market or it is really created by the Conference or by the importers or the dealers?

Mr. Gould.—I should say by the market for this reason that before we can accept the differential we must sound our dealers through our brokers and see if it is possible to obtain that differential. If we cannot we put it before the Conference and arrive at a differential at which we can sell.

President.—Now that there is no Conference what do you do?

Mr. Gould.—The same thing. We see what differential we can get, over or under the price the others are selling at and we fix the differential accordingly.

President.—On the quality is there any difference between Port Said salt and your salt?

Mr. Gould.—There is a marked difference.

President.—Is it a difference which the consumer appreciates and pays for?

Mr. Gould.—Yes, it is a dearer salt.

President.—Would you pick out the salt from here (samples shown).

Mr. Gould.—It may be No. 23.

Mr. Grezoux.—No. 29 looks like Port Said salt, but it is not coarse enough.

Mr. Hughes.—No. 7 looks like Liverpool.

Mr. Gould.—Nos. 23 and 24 look like Aden. That one is Indo-Aden. There is a slight difference in colour.

President.—What I am trying to drive at is that these differences are infinitesimal and if the experts cannot make out the difference, it is doubtful whether the consumer can tell whether he ought to pay the difference in the price that you charge.

Mr. Brodie.—No. 13 looks like Hamburg Vacca and No. 26 looks like Hamburg fine.

President.—Which is Port Said?

Mr. Grezoux.—No. 29 looks like Port Said salt, but it is not coarse enough.

President.—The point I wish to suggest is this. We may assume that Liverpool salt and perhaps Hamburg are more or less comparable and they stand by themselves. Then at the other end we have the Aden salts and in between are these other salts and for all practical purposes one salt may be sold in place of another.

Mr. Hughes.—Yes.

President.—Aden and Indo-Aden are distinct; they are not so white. I don't attach much importance to the grinding because within certain limits you can have many modifications in the grinding. It depends on the quantity of magnesium chloride content of the salt, but grinding is merely an adjustment of machinery and therefore what remains is the colour chiefly. Liverpool and Hamburg Vacca may be taken as the type of the best quality salt in the market. As regards the others there is no difference that would justify any difference in the price except what the dealers might create. Mr. Hughes, do you agree to that?

Mr. Hughes.—Yes. Except Spain.

President.—That is to say, broadly speaking, there are three grades of salt. Supposing there were no labels on these salts, Port Said, Hamburg fine, Spanish or anything, will not the consumer take any of these salts at the same price?

Mr. Brodie.—They will provided the crushing and the colour are the same. If a buyer looks at a large quantity and compares the different stacks he can make a pretty good guess.

President.—I am afraid we can't bring the gollah here. We have taken samples from the gollahs and we have got some samples from outside and we cannot carry about large quantities of salt.

Mr. Brodie.—The buyer who buys large quantities of salt would go to the gollah and compare the various qualities.

President.—The whole point is this: are the differences such as to require any differentiation in price?

Mr. Brodie.—The buyers will say yes.

President.—Buyers unfortunately have not come here. We put these samples before a very experienced broker the other day and he could not make any distinction between them except between Liverpool and Aden and said that the buyer would take any one of these at the same price.

Mr. Hughes.—The broker should know the buyer's views.

Mr. Mathias.—It would be difficult for the ordinary consumer, would it not, to find out the difference and a man in the village will take what he is given without any complaint?

Mr. Hughes.—Yes, possibly.

President.—It is quite possible that some difference may be made between Liverpool quality salt and other salts but it all depends on the amount of difference. If the difference is very high it is not impossible that Liverpool salt inspite of its superiority might not find a sale in the market. As to what the difference might be I cannot say.

Mr. Hughes.—I agree.

President.—There is another factor which does suggest that. Liverpool had 80 per cent. of the market at one time and that has gradually dropped to 15 per cent. and that does suggest that in the market really there isn't such a strong feeling as we are given to understand as regards the quality. It is purely a matter of price. Of course you cannot express any opinion on this point because the principal buyers are the proper persons to tell us that; but as I say, one of the brokers who has been doing this business for 40 years said that all these varieties of salt, many of which are and can be produced in India, can be placed in the market in competition against practically all the salt except Liverpool and to some extent superior Hamburg and the consumer won't be any the wiser for it. I see you made a big cut of Rs. 28 on the 15th August. Between October 1927 and August 1928 the drop was Rs. 42. That was due I take it to the coming in of the Roumanian salt.

Mr. Hughes.—Yes, competition.

President.—You more or less maintained those prices until about the middle of December last year.

Mr. Hughes.—Yes.

President.—And the Roumanian salt was kept out.

Mr. Hughes.—Yes.

President.—We understood that some more came in.

Mr. Hughes.—Yes, three cargoes came in.

Dr. Matthai.—How much does it come to?

Mr. Hughes.—18,000 to 20,000 tons.

President.—And the last reduction was Rs. 7.

Mr. Hughes.—Yes, that is the recent one.

President.—So that between October 1927 and now there was a drop of Rs. 49.

Mr. Hughes.—Yes.

President.—I am asking you generally, not from your point of view, you agree that these fluctuations in price are a nuisance from everybody's point of view.

Mr. Hughes.—Yes.

Mr. Gould.—Undoubtedly from the trade point of view.

President.—From the consumers point of view.

Mr. Gould.—Yes.

President.—In fact there is no evidence which suggests that these reductions in prices lead to any reduction in prices to the consumer.

Mr. Hughes.—Yes.

President.—But when there is a rise, it would probably be reflected in the retail price.

Mr. Hughes.—Yes.

President.—We have got two things in view in this enquiry. First is the question of encouraging the Indian industry, to find whether this quality of salt can be produced in India. For that reason we have got to determine the level of prices which we think will continue for a reasonable time. But as we have seen now in the last two years the variations have been very frequent and high and therefore if an Indian industry was to start under these conditions, it stands a very poor chance of doing anything, is that not so?

Mr. Gould.—If it was out of the conference, it could not.

President.—Your conference cannot as I indicated at the beginning of this sitting this morning control prices.

Mr. Hughes.—We cannot as long as there are fresh importations.

President.—You cannot avoid it.

Mr. Hughes.—We can only fight it.

President.—If you are a big Corporation and if you had large sums of money at your disposal, even then it is a world commodity over which you have no control.

Mr. Hughes.—I agree. I think we must say that the object of the conference has only been realised to a certain extent.

President.—The conditions are such that another conference cannot be expected to continue for any length of time either to control or to equalise the supply and demand, and this is the third attempt made by the trade to form a conference and they have failed on each occasion.

Mr. Hughes.—I think we all realised it was very difficult but we think that conference is better than no conference.

President.—Even if there was this conference it is very doubtful whether the conference can be of any use to the Indian industry for this reason that the object of the Indian industry would be to take the place of the foreign salt and therefore naturally you would not be expected to commit suicide. That is what it comes to.

Mr. Hughes.—Yes.

President.—You have got to be on a sickbed and eventually you have got to die and the Indian industry has got to come in. That is not a prospect to which you would agree as a business man. There is nothing to be gained by it from your point of view. Therefore the existence of the conference is quite inconsistent with the idea that we have in view. Supposing the Indian production increases by leaps and bounds, somebody must go out.

Mr. Gould.—Yes, somebody has got to give way.

President.—Then there is the same difficulty. Therefore the conference is no solution to the problem at all. Apart from the question of the Indian

industry this sort of fluctuation in prices and speculation in a commodity like salt is strictly a thing to be avoided if possible, because once the price of salt goes up, it is very difficult for it to come down in the market. I am not talking of the Calcutta market, but outside and when there is a cut in the price, it won't come down. Though we have been trying to get some evidence as to the prices in the districts, we have not succeeded for the simple reason that there are no retail prices. The prices are such that whatever happens in the Calcutta market they can carry on. They will be fixed at a level which will keep them on the right side more or less, that is to say, they will be kept at a fairly high level, so that whatever variations take place won't affect people except that there is a profiteering. Now we are in search of these prices. Then there is the question of quality which is also equally important, but the two outstanding points are these: supposing we came to the conclusion that the Indian industry ought to be protected and that the prices ought to be stabilised, can you make any suggestion? We should be very glad if you would give us a proposal or a scheme which we might consider as feasible.

Mr. Gould.—If you arrived at a correct price, wouldn't that *ipso facto* decide that question.

President.—What correct price?

Mr. Gould.—At what price it would sell.

President.—What could sell?

Mr. Gould.—The Indian salt could sell.

President.—We have got to decide that. We have got to enable that Indian salt to get that price. If they could get any of these prices, there was no question of their not being able to get the market, but the whole difficulty is this: how are we to enable the Indian salt to get the price which we think is reasonable.

Mr. Mathias.—When the price varies from Rs. 58 to Rs. 122, no industry can start with such large variations. It is really a question of stabilisation of prices.

Mr. Hughes.—It is very difficult for us to put forward a scheme of this sort, we do not control the whole market.

Mr. Mathias.—The logical conclusion is that somebody has got to control the market.

President.—The arm of the Government is long enough. The logical conclusion is that somebody has got to control the imports. That is the only way in which you can equalise the supply and demand. Is there any escape from it? We have been trying to think and think and we cannot see any solution. This is the one that strikes us as the most feasible one, because you cannot stabilise prices when you cannot control production. There is no getting away from that.

Mr. Hughes.—Yes.

President.—We cannot control production, because production is outside this country. Therefore we have got to control the imports. If those who are interested in the trade would give us any suggestions, we should be prepared to consider it, but assuming that we have got to protect this industry anything that you propose must help the protection of the industry and at the same time must stabilise prices which is the most important thing. We don't contemplate protection by a duty which will have to be varied from time to time which will precisely have the same effect as this conference.

Mr. Gould.—May I put you a question. Am I to understand that there is nothing in this theory. I am talking of matters generally and not of my particular salt: Liverpool had originally 80 per cent. of the trade and it has gradually come down to 15 per cent. This proves that Liverpool could not prevent other salts from coming in. Arguing on this basis India could go on producing and by degrees replace the imported salts if a uniform selling price were fixed for all imported salts.

President.—The history of Liverpool Salt Union is almost a tragedy. The amount of money that it has lost in business up to now is something that India could never afford.

Mr. Gould.—I cannot speak with any authority.

President.—Theoretically it must happen, but we don't deal with theories.

Mr. Gould.—There must come a time when others would be forced to go out.

President.—The whole point is this so long as these conditions exist how can any young industry be started?

Mr. Mathias.—Apart from that the present system under which there are different variations in the prices of salt inpose a very serious hardship on the actual consumer. It increases the speculation, it increases the dealer's profit and so on.

Mr. Webb.—These speculations have been less frequent since the conference was formed.

President.—The conference has lasted for two years and it has now broken down. It has no sanction behind it. It cannot enforce its decision. If prices are to be stabilised, at what level they should be stabilised, we will have to study. But in order to stabilise prices, as I told you a little while ago, we must control the quantities and we should be prepared to consider whether the Government would undertake it or whether it should be done by a Company. Of course we have been discussing this for a long time and it has appeared in the newspapers. We discussed it in Bombay and in Karachi, but we received no opinion from here at all. We cannot indefinitely wait. Mr. Gould, you were there in Bombay.

Mr. Gould.—I attended just one sitting.

President.—The proprietors are coming to Bombay.

Mr. Gould.—They are on the way now.

President.—Mr. Hughes, do you agree I am just asking you generally that this is an evil which ought to stop if possible?

Mr. Hughes.—I agree about the stabilisation of prices.

President.—First of all you have to abolish the distinction of quality. Then you say that this salt will be sold at such and such a price for all time.

Mr. Hughes.—Your idea is that either the Government or a Company should take over the whole of this salt business and you will allot quantities to each importer until the Indian companies are in a position to supply the whole market.

President. I will put it to you this way. Assuming that the total demand is 500,000 tons, the Government or this other organisation will say "Now we want 500,000 tons. We will buy as much as we can in India if the quality is suitable". That salt will get the price which we think is reasonable. Then the remainder they will buy in the open market. They will not allow any quotas to any particular company. They will specify the quality and say "we will buy in the cheapest market". Then they will sell irrespective of what they have paid to Indian or to the foreign manufacturer at prices which the Government would consider reasonable for these qualities of salt. That is the outline of the scheme. Can you suggest anything? This country owes no obligation to any foreign country. Therefore it is not bound to pay the foreign countries any other price than the world price. So far as Indian companies are concerned, they are entitled to get the price which we consider reasonable. So far as the consumers are concerned, they are entitled to a price which will be considered economical. I told you this morning that the salt falls into three categories more or less: that is Liverpool, Hamburg fine or superior and the other salts and the Aden crushed. They are the three qualities.

Mr. Hughes.—I understand.

President.—As I say, the object would be to buy the remainder of the salt in the cheapest market.

Mr. Hughes.—And do all the marketing?

President.—Yes. The object would be to get the salt into the market from the cheapest and nearest source. Supposing it finds a source in India from which the salt can be raised and placed in a particular market more cheaply than anywhere else and if the salt is of the suitable quality, then the particular market will be supplied from that source.

Mr. Mathias.—It will not undertake the marketing in the sense that every dealer would be ousted from the market and Government would take his place. Government would simply import the salt and sell it at fixed prices.

Mr. Hughes.—They will import the salt themselves.

Mr. Mathias.—Yes.

Mr. Gould.—I take it that they will do so through recognised importers.

President.—Or any other.

Mr. Mathias.—Presumably the manufacturers would have arrangements in India. It would really pay them.

Mr. Hughes.—If they called for tenders, we should tender.

Mr. Mathias.—Exactly.

President.—The quality would be specified. There is no great difficulty in prescribing the quality. We are taking expert advice on that point. Salt is a chemical and there should be no great difficulty in prescribing the quality.

Mr. Hughes.—How would you deal with the marketing?

President.—It would be a kind of monopoly which would be created by the State instead of this conference. The idea is that for many years this has been going on. This is not a new feature of the Calcutta market.

Mr. Hughes.—No.

President.—The fluctuations have been so great that apart from the question of protecting the industry, it has become an important question as to whether it should be stopped. Mind there is a fairly high duty on salt which may be bearing very, very heavily on agricultural classes and others. If at the same time the prices are also artificially increased, it is not a sound thing in the interests of the public at large.

Mr. Hughes.—May we understand that if the scheme should be matured, it would be confined to the present importers.

President.—We do not know. The importers would tender in the ordinary way like anybody else.

Mr. Hughes.—Tenders would be called for from where?

President.—Tenders would be invited from all over the world. The point is this. We shall try our best to put forward a scheme which would stabilise the prices indefinitely. Therefore it is quite possible that the prices may be a trifle higher than the average price at which the salt could be purchased in the world to start with which would give a margin to the Government or the marketing organisation to adjust prices, supposing the average prices become higher eventually. It would start therefore buying in the cheapest market and selling on an average which would correspond to that. That is the idea. We cannot start with a fixed level of prices without knowing what turn things may take. We have got an average say for the last five years of these different qualities of salt. The consumer should have no reason to complain if the level of prices does not exceed what he has been accustomed to pay but it is quite possible that the average may be higher than the present average price and even then he will have no reason to complain because when the prices go up in the future he will still get it at the same price. It is a sort of equalisation of dividend business. You have a fund from which prices are equalised. That is the sort of scheme.

Mr. Gould.—With regard to the importations, I suppose ample time would be given for arranging freight, chartering boats, etc.

President.—Salt can keep for a year or more. This organisation we have been talking of would so arrange that there is no shortage of salt. It would have to keep a very big margin.

Mr. Gould.—That assumes keeping the salt unsold in the golahs.

Mr. Mathias.—Some sort of warehouse will be necessary.

Mr. Gould.—You might find the salt but you might not get the tonnage.

Mr. Hughes.—As regards Liverpool, I suppose it will have to take its chance in competition against other salts.

President.—We won't call for Liverpool or Hamburg. We will say " This is the quality we want ". It would be prescribed by a chemist.

Mr. Hughes.—You will decide so much is first quality, so much is second quality, and so on.

President.—First of all the demand has to be found out. Supposing there is a big difference between the Liverpool quality and the other quality, Liverpool may disappear and people may buy the other. The question will then arise whether that quality ought to be kept on.

Mr. Hughes.—The price may be fixed f.o.b. or c.i.f. whatever is convenient.

President.—Yes. You have now understood the general outline of the sort of scheme we have in mind.

Mr. Hughes.—Yes.

President.—We have not got very much time. If you think that you would like to make any suggestions, you please let us have them as early as possible.

Mr. Mathias.—For instance, if you can think out some system under which the importers can retain the marketing, we shall be very glad to consider it.

Mr. Hughes.—In any case tenders will be called for.

Mr. Mathias.—The tenders will be rupee tenders.

Mr. Grezoux.—When a manufacturer is going to tender, he will have to bear in mind the fact whether freights will go up or not.

President.—It is a contract like any other contract. Government buy many things.

Mr. Grezoux.—Will they buy shipments, or so much per annum?

Mr. Mathias.—The most convenient arrangement will be to call for tenders every three months.

President.—I am speaking from memory. Ordinary tenders run this way. Government will buy not more than 50,000 tons—deliveries to be given at such times and such places as the Government might prescribe. That is how ordinarily it is done. Big corporations like municipal corporations will say " not more than so much ".

Mr. Hughes.—May I ask one more question? It is definitely understood that nobody else except Government will be allowed to import. The only salt that will be imported will be the salt for which tenders will be invited.

President.—Unless you can put forward any other alternative scheme which would guarantee the three things, *viz.*, protection to the industry, stabilisation of prices and control over quality.

Mr. Hughes.—I don't think I could, but I will consider the matter.

President.—In this market much stress has been laid on the quality. If everybody was allowed to import, it is obvious that the quality cannot be controlled. Unless some single authority undertakes it, you will agree, it is not easy.

Mr. Hughes.—I agree.

President.—As regards stabilisation of prices, it is the same thing.

Mr. Hughes.—Yes.

President.—Now the point on which I would like your opinion is whether you would prefer a Government organisation or a company?

Mr. Gould.—I would prefer Government.

President.—There is a difference of opinion as regards that. We have got no very strong views but there is this thing. There are objections to Government doing these things. For instance, as you know the Government machinery is very rigid. I will give you an instance. There was a sort of run on Government salt. When Government could only supply 60,000 tons, they indented for 200,000 tons. Government machinery was such that it could not take any immediate action. The result was that for 10 months no action was taken and when action was taken it did not really meet with the situation. It is quite obvious that Government cannot give the same discretion to the agents as a company can. The company can be on the spot. It can watch the market. It can see developments and take whatever action is necessary whereas a Government agent has got to refer to somebody and that somebody has got to refer to somebody else. It passes through five or six departments. In the meanwhile the position becomes so complicated that nothing can be done.

Mr. Hughes.—It is very difficult to criticise the machinery of Government. Any machinery will have to be under some control.

President.—It is a sort of controlled monopoly. Government will have to see that it takes the price that is fixed, that it looks after the quality and so on.

Mr. Hughes.—If the company was under the control of Government it does not matter whether it is Government or a company.

President.—It becomes a more flexible organisation.

Mr. Gould.—Practically a sort of Government Department but outside the Government. It will have no powers of its own.

President.—Not necessarily. Where the Government control will come in will be as regards the general principles.

Mr. Hughes.—As regards prices.

President.—Yes, quality and things like that. Supposing there was a stock of 5,000 tons in the golahs and there was a demand for 20,000 tons four times as much, this company would do something at once.

Mr. Hughes.—The company has got to make profits.

President.—The company has got to make its profits which can be limited. If any profits in excess of what may be considered as reasonable are made it may share with the Government or it may go to the Sinking Fund or Reserve Fund.

Mr. Hughes.—The point will then arise whether you will get people to become shareholders with a limited profit.

President.—It is like a public utility concern. Such concerns are in great favour with the Indian public. They get a smaller return but then there is the certainty. Therefore I should not imagine that there would be any very great difficulty especially with Government in it. Gentlemen, I hope you will think over this and if you have anything to tell us we will be very glad to consider it. We are not expressing any decided opinion. We are only considering the question. We are looking at it from all points of view. We have come to this decision that there is no alternative that we can think of to some sort of control.

Mr. Hughes.—I should like to put the scheme before my principals at home and get you their opinion which might be of value.

President.—We have reached almost the last stage. We cannot wait for any length of time.

Mr. Hughes.—If our principals have any points to put forward we shall send them to you as early as possible.

President.—We have got to finish as far as possible by the middle of March. That means that we should have at least two months to consider

our decision and put it in writing so that there is not very much time, but if you can let us have it in about three weeks' time that will help us.

Mr. Mathias.—If you cable your opinion and receive their views by wire would not that reach you within three weeks?

President.—That's all we can say. You have got to take your chance but the position is this, that we must finish our proceedings in the first week of February as we have got to finish the report by the middle of March

Mr. Hughes.—I will put the whole thing before our principals.

President.—I hope I have made myself quite clear. You can consult your principals, Mr. Brodie. As regards Mr. Gould I understand your principals are coming to Bombay, is that right?

Mr. Gould.—Yes.

President.—Are you in touch with the retail market?

Mr. Gould.—No.

President.—We can't get anybody who is in touch with the retail market.

Mr. Gould.—Can't you get the dealers?

President.—They don't seem to know much.

Mr. Grezoux.—You want retail prices up-country?

President.—Yes.

Mr. Grezoux.—Has not that been put in the report of the Salt Revenue Department? I think there are some publications which give these figures.

President.—We will do our best to get the retail prices but we don't think we shall get them. What about the difference between the *ex*-golah price and *ex*-ship price? It costs about Rs. 8 to take salt from the ship to the golah but you reduced the difference to Rs. 3 in the price. What is the reason for it?

Mr. Gould.—I think the reason was that the golah stock had accumulated and we wanted to divert the demand from ship to golahs. The reduction had the desired effect. When golah stocks were materially reduced we found we could sell *ex*-ship without increasing the difference, so let it remain at Rs. 3. Normally there is a difference of Rs. 7 in the expenses.

President.—Is it not better to make the difference higher so that there is less stock stored?

Mr. Gould.—It would be, but the position had come about that we had these tremendous stocks at the golahs and we found that these could not be cleared with the normal sales *ex*-ship. Normally the difference between *ex*-ship and *ex*-golah is Rs. 7 but then again much depends on how long you keep the stocks in the golahs.

President.—There is a difference of Rs. 7 to 8 from the ship to the golah; on top of that you have got to add interest and so on if it remains in the golah for any length of time.

Mr. Gould.—We as agents are not interested in that part. We merely take the actual expense.

President.—May I take it as your opinion generally that it is the middleman who really gets the benefit of the reduction in price when these reductions take place or does he pass it on to the consumer?

Mr. Gould.—I am not in direct touch with the consumer but I should imagine that there is very little difference in the retail price when there is a reduction and it is the middleman who makes the profit.

Mr. Grezoux.—It is the speculator who makes that profit. He keeps it for himself.

President.—Are there any forward sales?

Mr. Gould.—There is no time limit. We simply sell *ex*-golah. It is however understood that the buyers will take delivery within two or three months.

President.—When you sell is the delivery to be taken on the spot or can he take delivery at any time?

Mr. Gould.—He can take delivery at any time.

President.—That is to say, a man buys say 100 maunds of salt from the golahs to-day, he may have made a forward sale for delivery after three months. He may simply cover his contract by buying from you because he is not compelled to take delivery on the spot. He can keep the salt there until such time as he can take delivery.

Mr. Grezoux.—I think he sits on the stile and waits for the market to go up. He buys at a low price and sells when the market goes up and gets the benefit of it.

President.—Therefore there is an element of speculation in this and it always exists.

Mr. Gould.—Yes.

President.—What about this other information that we asked for about foreign prices and so on? When do you expect to give us the information?

Mr. Hughes.—I hope to get the information next mail.

President.—The idea was to get an idea of the level of prices under normal conditions.

Mr. Hughes.—Our principals are in full possession of the facts.

President.—If you don't hear by next mail, please send a cable and get the information for us. Are you getting the same information from your principals, Mr. Brodie?

Mr. Brodie.—Yes.

Mr. Grezoux.—There is one point I want to be clear, Mr. President. Is Aden to be treated as Indian salt?

President.—We have not yet decided that. That is one of the points we are considering.

Mr. Grezoux.—In your enquiry you ask what is the capital invested by the firm. In Aden there are Indian firms and there are some who are not. Burgerellas are an Italian concern. How far they are to be considered as an Indian concern is doubtful.

Mr. Mathias.—Does your firm pay Indian income-tax?

Mr. Grezoux.—Yes. That I think everybody does. The Port Said Salt Association pay income-tax on their imports here.

President.—Are you the agent of this firm?

Mr. Grezoux.—Yes.

President.—Do you pay income-tax?

Mr. Grezoux.—The firm pays it.

President.—Your firm doesn't pay income-tax on their profits on Indian trade?

Mr. Grezoux.—We have been asked for returns.

President.—Does the same thing apply to your firm, Mr. Hughes?

Mr. Hughes.—Yes.

President.—As I said, Mr. Grezoux, we are considering the point you have raised and we have not yet come to any decision.

Mr. Mathias.—You pay income-tax on your commission but do your principals pay income-tax on the profits they make?

Mr. Hughes.—Yes, on the profits made in India.

Mr. Mathias.—They are paying English income-tax too subject to a rebate?

Mr. Hughes.—Yes.

Evidence of (1) Mr. L. ANNER representing Messrs. Volkart Brothers; (2) KASSIM A. MOHOMED representing Messrs. Kasseim and Ismail; (3) VALIMOHOMED KASAM DADA representing Messrs. Hoosein Kasam Dada; (4) Mr. E. K. PRICE and Rai Saheb G. N. DEY representing Messrs. Shaw Wallace and Company; (5) Mr. A. BIGGAR representing Messrs. F. W. Heilgers and Company, recorded at Calcutta on Thursday, the 16th January, 1930.

President.—Messrs. Shaw Wallace and Company import Spanish salt chiefly?

Mr. Price.—Yes.

President.—What salt do Messrs. Heilgers and Company import?

Mr. Biggar.—Spanish, Roumanian and Tunis. We have taken the agency of Ras Hafan.

President.—Is that an Italian Works?

Mr. Biggar.—Yes.

Mr. Mathias.—Where are their works situated?

Mr. Biggar.—Italian Somaliland.

President.—I take it that you are all out of the conference, because you were not admitted or you were not willing to join the conference.

Mr. Biggar.—We were not admitted when we were importing Tunis. When we took on Roumanian and Ras Hafan, the question didn't arise again and I don't think we very much cared to be admitted.

President.—The difference of opinion would arise naturally on the question of quota, that is to say, when new salt came in, somebody else's quota had to be cut down.

Mr. Biggar.—Yes.

Dr. Matthai.—I suppose the price that you got conformed more or less to the conference price.

Mr. Biggar.—Our prices are slightly cheaper.

President.—That is to say in order to get the market, you have to cut down the price.

Mr. Dey.—Yes, from Rs. 118 to Rs. 100.

Mr. Briggar.—We had a cargo of Tunis salt. At that time conference prices came down from about Rs. 100 to Rs. 70 and we followed suit.

President.—Your Tunis salt, what does it compare with? Is it like Spanish or Port Said?

Mr. Biggar.—It is more or less like Spanish. It is not quite so good as Spanish.

President.—Is it all crushed?

Mr. Biggar.—It is all crushed.

Dr. Matthai.—Messrs. Shaw Wallace and Company are interested in Spanish salt?

Mr. Price.—Yes.

Dr. Matthai.—When the conference was in operation, what sort of prices did you get for Spanish salt as compared with the conference prices?

Mr. Price.—Usually a little less.

Dr. Matthai.—By little how much do you mean?

Mr. Dey.—Rs. 3 or Rs. 4 less.

President.—Less than the conference price?

Mr. Dey.—Yes.

President.—How long have you been importing this salt?

Mr. Price.—We have been importing for the last 30 years.

President.—And Messrs. Heilgers?

Mr. Biggar.—Since the last three or four years.

President.—Little Aden has come in recently?

Mr. Kassim A. Mohamed.—Yes, since last three years.

President.—As regards Okha you have had only one consignment.

Mr. Anner.—Three consignments.

President.—The first consignment came about 18 months ago.

Mr. Anner.—Yes, in June 1928. Another one in August of the same year and another one uncrushed in June 1929.

President.—That is the salt that is lying in the golah.

Mr. Anner.—Yes.

President.—Why have you not received any more?

Mr. Anner.—I believe there was some trouble with their motor. I am expecting further shipments very soon, though I have no definite news.

Dr. Matthai.—The greater part of your shipment from Okha has been uncrushed.

Mr. Anner.—There were just over 2,000 tons crushed and 5,700 tons kurkutch.

Mr. Mathias.—It is the kurkutch salt that you had some difficulty in disposing of.

Mr. Anner.—The first crushed consignment sold fairly well. We had some difficulty with the second shipment. When it arrived the conference reduced the rates.

Mr. Mathias.—Have you been able to dispose of the crushed salt?

Mr. Anner.—The first shipment sold very nicely. It was sold in one day. The second shipment could not be sold because the conference rates were reduced.

Mr. Mathias.—The third shipment was not very good salt.

Mr. Anner.—It was kurkutch.

Dr. Matthai.—What kind of price was your kurkutch sold at as compared with Aden kurkutch?

Mr. Anner.—At a difference of about two or three rupees.

Dr. Matthai.—That is how much now?

Mr. Anner.—At Rs. 62 *ex*-golah.

President.—You buy any quality of salt that you can get in the market?

Mr. Kasam Dada.—We buy any full cargo that we could get in the market.

President.—How much business do you do in a year?

Mr. Kasam Dada.—It all depends on the importers who are willing to offer us.

Dr. Matthai.—That is about 30,000 tons.

Mr. Kasam Dada.—Yes.

President.—What do you do with it?

Mr. Kasam Dada.—We place it in the hands of our brokers and allow them to sell it. We have the whole cargo consigned to us.

President.—You are a sort of importer.

Mr. Kasam Dada.—Yes.

President.—And what are the salts that you principally deal with?

Mr. Kasam Dada.—Adensolar, Tunis, Tuticorin and Little Aden.

Dr. Matthai.—Aden salt is produced in the Italian factory.

Mr. Kasam Dada.—We purchase from Indian Factories.

Dr. Matthai.—Which Indian factory?

Mr. Kasam Dada.—Hajeebhoy and also from Little Aden, which is a Parsi concern.

Mr. Mathias.—How much of Tuticorin salt had you last year?

Mr. Kasam Dada.—80,000 maunds. We got the whole thing *ex-golahs.*

President.—When you get the whole shipment, do you sell it off immediately to brokers or buyers or do you bond it first?

Mr. Kasam Dada.—We bond it and sell it in the market through our brokers.

President.—According to the market conditions?

Mr. Kasam Dada.—Yes. We deliver some *ex*-ship and some *ex*-golah.

President.—When the market goes down what do you do?

Mr. Kasam Dada.—We will wait then. It all depends how our partners decide.

President.—Who?

Mr. Kasam Dada.—The Directors of the firm; partners of the firm.

President.—What do they decide? When the prices are down, I take it you buy as much as you can.

Mr. Kasam Dada.—If we can buy at competitive rates, say *ex*-ship c.i.f. Rs. 60 and if we get at Rs. 54, we will buy.

President.—You will keep it in stock.

Mr. Kasam Dada.—We sell as much as possible *ex*-ship and what is left goes to the golahs.

President.—Do you fix your prices when the ship arrives or do you make purchases?

Mr. Kasam Dada.—You mean from the importers.

President.—Yes.

Mr. Kasam Dada.—When the steamer is on the way, say 10 days previous to the steamer arriving, we make forward purchase.

Dr. Matthai.—With regard to those who have been outside the conference, what difference do you allow between *ex*-golah and *ex*-ship?

Mr. Price.—The difference is about Rs. 7, but actually we recover about Rs. 3 or Rs. 4.

Mr. Mathias.—That is practically the same as the conference which is Rs. 3 extra.

Mr. Price.—Yes.

President.—Have you got buyers in the district?

Mr. Price.—We haven't got any buyers in the mofussil. We sell it in the Calcutta market.

President.—Supposing your salt is bonded here and you sell it, is your buyer bound to take it away immediately?

Mr. Price.—It depends on the terms on which we sell.

President.—What is the usual practice?

Mr. Price.—Immediately.

President.—And if he chose not to take it immediately, but he wishes to keep it in bond?

Mr. Price.—We can't do that. He will have to take delivery unless it is a big contract, say 40,000 or 50,000 maunds, in which case if the

delivery has not been taken after a fixed date, he pays the full amount and pays the golah rent.

President.—He is at liberty to keep the salt until he can get a price which he thinks would pay him.

Mr. Price.—Who?

President.—Wholesale buyers.

Mr. Price.—Yes, they are at liberty to keep them in the golahs.

President.—So that the drop in prices does not necessarily benefit anybody except the man who holds stocks for the time being.

Mr. Price.—I don't follow.

President.—When prices drop, the consumer in the district or anywhere does not necessarily get any benefit by it.

Mr. Price.—Certainly he will, because the holder of the salt doesn't like to keep his money locked up.

President.—Prices in the districts take a long time to change.

Mr. Price.—Yes.

President.—Prices are generally at a higher level than they would be and there is a sufficient amount of margin.

Mr. Price.—There is competition.

Mr. Mathias.—For instance in a small village prices of salt will change once in 18 months or two years.

Mr. Price.—Yes.

President.—For instance the price persists for some six months at a higher level.

Mr. Price.—My idea is that the reduction of the rates is felt all over the Presidency.

Dr. Matthai.—The reduction is felt.

Mr. Price.—Because the competition is so keen in small villages too. It is possible however that the old rates might go on for some time.

Dr. Matthai.—I suppose it would depend on the extent of the reduction.

Mr. Price.—Yes.

Dr. Matthai.—Rs. 5 for 100 maunds, will that reduction be felt?

Mr. Price.—Certainly.

President.—Have you got any evidence to suggest that it does? We are trying to get evidence to what extent the wholesale prices and the retail prices in the district are affected by the reduction or increase in the prices.

Dr. Matthai.—Are you in a position to give us any information on that point?

Mr. Price.—No.

Mr. Mathias.—Let us take the average price in Calcutta. In 1926 the price *ex*-golah was somewhere about Rs. 120 and in 1928 Rs. 80. The average wholesale price in Calcutta for all kinds of salt given in the Annual Report in 1926-27 is Rs. 2-10-0 and in 1928-29 Rs. 2-7-0. The drop is As. 3 per maund. That would not work out to anything like the difference that we find in the *ex*-golah prices.

President.—We have got 3 years weighted average price. The European salt was sold at Rs. 66-12-0 in 1925-26 and Indian salt at Rs. 59. The Calcutta price is Rs. 2-6-0. It went up to Rs. 97 for European and Rs. 77 for Indian. The price then came up to Rs. 2-10-0 in 1926-27. Obviously there is a rise. In 1927-28 the price was still higher and then the price came down to Rs. 2-7-0. The point is this: take 1925-26. When the price was about 70 per cent. below, the price was Rs. 2-6-0. In 1927-28 it was Rs. 2-7-0. It tends to show that these prices remained more or less the same unless the difference was very great.

Mr. Mathias.—The actual point is this. As far as the consumer is concerned he takes his customary pound of salt; if you don't reduce the price he will still take the same amount of salt. The retailer does not take any chance and retains his price at the higher level.

Mr. Biggar.—I agree that you can't increase the consumption by decreasing the price.

Mr. Mathias.—The main portion of any decrease sticks either to the wholesale dealer or to the retailer.

Mr. Biggar.—That may be so in Mofussil but I would be surprised if that should happen in Calcutta.

Mr. Mathias.—I have given you the figures.

President.—Is it not generally true that the Calcutta salt business is very uncertain and very speculative?

Mr. Price.—There have been big fluctuations recently.

President.—As far as I can see the speculation has been going on for years. I know of no time when the prices have been steady.

Mr. Biggar.—We have only been in this trade since 1926 and I suppose our coming in was partly responsible for the reduction in price by the conference.

President.—During the last three or four years prices have behaved in a very peculiar way. They have varied from Rs. 60 to Rs. 120 which you would admit is a very big variation.

Mr. Biggar.—When the outside people began to import the Conference ignored two to three cargoes. They I presume thought that there would be only a few cargoes coming in and it was not worth while reducing their price for that, but when they saw that these cargoes multiplied they had to take action and reduce the price. They held on to the prices as long as they could and then they had to reduce them.

President.—The Conference represented about 400,000 tons out of a total of 600,000 tons.

Mr. Price.—Only 500,000 tons.

Dr. Matthai.—It is nearly 600,000 tons.

President.—The imports have increased by about 40,000 tons in the last three or four years, so that you think that the importation of these non-conference salts in larger quantities was more or less responsible for the prices coming down?

Mr. Biggar.—Undoubtedly.

President.—Now that the conference has broken down do you think that more salt would come in or do you think that the prices are sufficiently remunerative for your principals to carry on?

Mr. Biggar.—I haven't got any information as regards that. It now remains to be seen who can carry on and who cannot now that the conference is broken.

Dr. Matthai.—One reason why prices began to fall since the conference started was that they cut prices deliberately with a view to keep out the others. Somewhere about August, 1928, Liverpool price dropped from Rs. 108 to Rs. 80. That drop was largely due to outside supplies coming into the country. Now that the conference has broken down would not there be a tendency for the prices to go back to a higher level because there is no deliberate cut by any organized body?

Mr. Biggar.—That reduction in August, 1928 coincides with the arrival of cargo from Tunis imported by us and it did not keep us out. We brought two more cargoes in 1929.

President.—What price did you get then?

Mr. Bigger.—In August, 1928, we started with Rs. 102 *ex*-steamer. The conference came down by Rs. 30 and we effected our sales at Rs. 73.

Then in February and April, 1929 we had two cargoes which we cleared at about Rs. 70 and 65 respectively.

President.—Now the market is more or less again open to anybody.

Mr. Biggar.—Yes.

President.—This new salt that you are talking about may want a market. Then there is another big company started in Soudan (The Port Soudan Syndicate); Roumania is also wanting to come in and there is also more salt coming from Spain. It is impossible to foresee what level the prices might reach.

Mr. Biggar.—Prices cannot go higher.

President.—They would probably be lower.

Mr. Biggar.—Yes, for some time.

President.—Yesterday we went into this question to some extent with the other importers and there was only a very brief report in the papers. But then there was enough for you to follow what the idea is. It is quite obvious from the figures and such evidence as we have taken that the fluctuations in prices are so violent that assuming that the Indian industry makes out a case for protection, no scale of protection can be fixed which would give stability to the industry unless prices are stabilised. Now, what we wish to know from the trade is first of all whether you agree that the prices are to be stabilised, or whether you think that prices should continue as they are. The first thing I want to know is whether prices should not be stabilised in the interest of all parties. It is quite plain that the prices have varied between Rs. 60 and Rs. 120 and that is a big variation.

Mr. Biggar.—I think that there is bound to be a big variation. You will have cut throat competition and only two or three people can stand this and the rest will drop out.

President.—What will happen to the infant Indian industry in the meanwhile? Is it to close down and start again when the conditions are better? That cannot be done. We know that economic forces would lead to certain results but that would take a very long time.

Mr. Biggar.—I think that now that the conference has practically dissolved, there will be open competition.

President.—That also is not an easy problem. A company which wants a market, in order to increase its production, may sell even at a loss in one part of the world and make up in another part. That is not necessarily going to help us.

Mr. Biggar.—Do you mean that there will be dumping here?

President.—Yes.

Mr. Biggar.—As regards the Mediterranean, they don't sell in India unless they can help it because it is crushed salt which is wanted here. Tunis and Spain sell uncrushed salt to fisheries on the continent.

President.—That is specially crushed for India?

Mr. Biggar.—Yes.

Dr. Matthai.—At present does the bulk of the Tunis salt come to India?

Mr. Biggar.—No. They have put in a crushing mill because they need an extra market.

President.—They are doing it in order to get a better average price.

Mr. Biggar.—I don't know. I am told that they are not interested in India at present prices definitely. But then I don't know how far it is true that they are getting better prices elsewhere.

President.—That may be quite all right. We cannot wait until things right themselves, if we are to make any recommendations to encourage the production of salt in this country. The first essential is to stabilise prices at a level which the industry requires.

Mr. Price.—There are other factors such as exchange, etc.

President.—We have to proceed independently of them. Supposing we are satisfied that this salt can be produced in this country we say it should get such and such price and whatever the price outside India is the price in the country should be kept within these levels. But I take it from the point of view of non-conference importers, that if the imports were controlled and the salt was purchased in the open market it would suit them better.

Mr. Biggar.—How do you mean?

President.—Supposing Government passed a law that nobody should import except themselves or anybody under licence.

Mr. Biggar.—You mean controlling in that way.

President.—The imports will be prohibited except under licence. Government or anybody authorised by Government can import. Then they will say "we want 500,000 tons of salt for India". They will first give the chance to the Indian manufacturers and say "how much can you give us". The price will be stated which would be considered a fair price for them and if they are prepared to give that salt of the required quality then they will get the order. As regards the remainder it will be bought in the open market.

Mr. Price.—By tender?

President.—Yes, and everybody manufacturing that class of salt will be at liberty to tender. I am putting it to you as non-conference importers whether it would not be better for you than having a conference like this?

Mr. Price.—You will call for tenders for the balance?

Mr. Mathias.—All importers would tender to Government and take their chance.

Mr. Biggar.—I think it would be speculating for this reason: I take it we would be asked to tender for 12 months supply and would have to depend on the chance of getting freight which can vary enormously.

President.—That is how all commodities are bought by Government. You can make contracts for freights too.

Mr. Biggar.—It is not easy to make contracts for tramp freight for 12 months.

Mr. Price.—Freight is a big factor in the purchase of salt.

Mr. Biggar.—We can fix up contracts for 12 months on the coast, but it would not be so easy to get freights for 12 months from Spain.

President.—The position of Spain is different, but as regards Aden the Red Sea ports and other Mediterranean ports the position is much simpler.

Mr. Mathias.—I suppose if tenders are called for every three months there would be no great difficulty about freight then?

Mr. Price.—Will all the imports be split up or given to one country?

Mr. Mathias.—It will depend upon the tender.

Mr. Biggar.—A ship would require a full cargo.

President.—There should be no difficulty about that. You are given a period within which to supply and you can always arrange how deliveries are to be given provided you don't exceed the maximum limit. That is a matter of detail. I am now discussing with you the principles. I am asking you whether from the non-conference point of view this is not a better system than the conference system where you are at the mercy of many varying factors.

Mr. Mathias.—You don't think there would be difficulty about freight, do you?

Mr. Biggar.—I don't think it would be difficult. It would depend a good deal on how long they take to decide. If tenders could be decided quickly I think we can get freight: if it takes long the freight conditions might change entirely and steamer owners would just put on an extra price in case things went against them.

Mr. Mathias.—After all the Bengal market is a fairly good market and I suppose no manufacturer would refuse to tender.

Mr. Biggar.—You will get a cheaper price if you can decide quickly.

President.—They can ask for tenders for ready delivery as they require.

Mr. Biggar.—That is possible.

President.—That is to say for a month or for six weeks or so; there would be enough salt in the world to get their requirements. You will have to quote either here or in London and then you get your order and send it straight off.

Mr. Biggar.—As regards time, generally they deliver within a month. You can say January shipment or March shipment and so on. Would that be good enough for you?

President.—Supposing this system is introduced it would suit the trade best and it is better for the Government or anybody else who is in charge of it to go into the market when it requires anything and say that it wants so much salt. Long term contracts are open to objection because the buyer is also tied down to that price and the seller runs the risk of fluctuation in the market as well as in freights and so on. Therefore it is much better to take ready delivery.

Mr. Biggar.—If you call for tenders say every three months it would be good enough.

Mr. Mathias.—Or on the first of each month. After all tenders can be submitted by wire.

Mr. Biggar.—If you call for tenders for prompt delivery each month you may get fluctuations owing to lack of prompt steamers.

President.—They will fix the sale price here in the country. There are two different things: they will buy in the cheapest market and sell at a fixed price.

Mr. Biggar.—It might lead to profiteering.

President.—If it is a State monopoly there will be no profiteering.

Mr. Mathias.—If they call for tenders on the first of each month you can obtain tenders from your principals by wire.

Mr. Biggar.—It will not be easy always to get immediate shipment. If you call for tenders in January for shipments in March it would be easy. A month ahead we could do.

President.—That may be just the time. I am just asking the industry what it thinks.

Mr. Biggar.—Approximately that would be convenient.

Mr. Mathias.—That would mean monthly tenders for delivery in two months time.

Mr. Biggar.—I was thinking of calling for tenders on the 1st March for shipment in April. Could you tell us how long it would take to decide these tenders?

President.—They will have to be decided at once of course.

Mr. Biggar.—Those who get the tenders would have to have the steamship companies behind them, so that the sooner the Government can decide the tenders the better.

Dr. Matthai.—Apart from the variations in freight as far as your salt is concerned are there large variations in the f.o.b. prices?

Mr. Biggar.—I can't say. I do not know what their costs are. They say that at the present state of the Calcutta market it doesn't pay them to sell here. I don't know whether that is because of their cost or whether they are getting better prices elsewhere.

Dr. Matthai.—Have you any information about f.o.b. prices, Mr Kasam Dada?

Mr. Kasam Dada.—No.

President.—The quantity required relatively to the amount of freight available in the world is very small and I don't think we need anticipate any difficulty about that. After all, for 500,000 tons you can find freight very easily.

Mr. Biggar.—Tramp Steamers are free lances; they have an extraordinary tendency to vary their route. Any big crop will attract them to that part. They are not tied down to any particular coast.

President.—Where freights come in it is unusual to have long term contracts unless they have a clause as regards freight. Is that right?

Mr. Biggar.—If you call for monthly shipments a month or so ahead I don't think there will be difficulty about getting freight.

President.—As regards the quality we don't think there are as many qualities as are sold in the market. Salt is not known in other parts of the world as Tunis salt or Cheshire salt or any other salt.

Mr. Biggar.—It may not be known even in Calcutta like that.

President.—These are qualities invented by the trade more or less. There is no other place in the world where a man will call it Tunis salt, or Cheshire salt and so on.

Mr. Biggar.—We call it by its name, from the place whence it comes and the bazar chooses to attach importance to it.

President.—Does the bazar do it? It is the trader who does it. But if a man in the street is asked what salt it is, he won't know. You want to push these salts and therefore you go and tell this man that your salt is better than the other but it is not necessarily better.

Mr. Dey.—That is true. Actually the mufassal people do not know whether it is Spanish or Port Said or any other salt.

Mr. Biggar.—I am interested in the persons who buy from me and they have a distinct preference.

President.—But the consumer does not know the difference between one salt and another.

Mr. Dey.—The consumer does not know whether it is conference or non-conference salt.

Mr. Biggar.—The Roumanian salt is almost just the same as Hamburg salt; that is non-conference salt and we have really got higher price for that.

President.—You may get a fairly high price for that, but that does not show that the inferior salt in the bazar does not get the same price.

Mr. Biggar.—I say that *my* buyers make that distinction.

President.—We have tested it and we don't want to repeat the test. If we did that I don't think you will be able to differentiate between one salt and another, and the dealer also will not be able to differentiate to this extent that he can tell the difference in the price.

Mr. Biggar.—Then I don't know why they buy the expensive varieties.

President.—I don't know, unless they are making more money out of it.

Mr. Biggar.—I can't see why they pay Rs. 80 for the stuff which they can buy for Rs. 60 and pass off as the same thing.

President.—I think it happens in this way: the dealer buys those salts in which he can make most profit. I will give you an instance. Supposing he is in the habit of taking Hamburg salt which is more expensive by Rs. 5 than Spanish salt, he buys a cargo of Spanish salt and there is a good margin. He says, "my consumer does not know whether it is Hamburg or Spanish or something between the two" and he probably gets for it the same price as Hamburg salt.

Mr. Biggar.—If he can do that why does he buy Hamburg at all?

Mr. Mathias.—There is a certain class of persons who will go to the market and ask for Cheshire or Hamburg salt.

Mr. Biggar.—What frankly puzzles me is that if it is so difficult to distinguish why do they buy expensive varieties?

Mr. Mathias.—I suppose the dealers are honest!

President.—I should imagine that the dealers are very honest and that when their customers want Hamburg he gives them Hamburg, but if he is dishonest he can pass of something else.

Mr. Biggar.—By doing that he would probably be undercutting the honest Hamburg dealer, who cannot then trade.

President.—That is why Cheshire has dropped out from 80 per cent. to 15 per cent. These economic forces take time to re-act. As I say the dealer need not be dishonest. He deals in salt; he keeps three or four qualities. If a man wants Cheshire salt he gets it. But if a man doesn't care, he simply wants salt, naturally the dealer gives him the salt that pays him most. If he was dealing in only one quality of salt I can understand that but when he deals in three or four different kinds he wants to make most money. If a man wants Cheshire he says, "this is the price of Cheshire salt" and shows him others which are cheaper and people take the cheaper quality.

Mr. Mathias.—That is the case. You will find that Aden has increased very largely and has replaced salts that are more costly within the last twenty years.

Mr. Biggar.—That is so.

President.—Formerly Liverpool used to supply 75 to 80 per cent., but now-a-days it is supplying only 15 per cent. and the difference in price is not nearly as great as it was before. What does it show? It shows that people are really not prepared to pay a very much higher price for Liverpool than for the inferior salt.

Mr. Biggar.—Liverpool is of course not in the same position. It comes out in parcels cheaper than full cargoes do.

President.—It does.

Mr. Biggar.—I think I am correct in saying—you can easily find that out—that there is a sort of *bandobast*. The steamers can't come in full cargo from there. It is a question of coming partly in ballast or filling up with salt.

President.—Yes.

Mr. Biggar.—On these conditions they can take a parcel of 1,000 tons cheaper than a tramp steamer can with full cargo. They probably just have a *bandobast* by which they fill up as much salt as they require.

President.—Which is better, Hamburg Vacca or Hamburg fine?

Mr. Dey.—Hamburg Vacca.

President.—In the market Hamburg Vacca is sold at a very much higher price. What I don't understand is this: at one time there was a difference of Rs. 11 between these two. Why should the consumer pay Rs. 11? An ordinary man, the man who eats this salt does not know why.

Mr. Biggar.—From the sellers' point of view people profess preference and we recognise it. We have to, in order to sell.

President.—It may pay the dealer to do so, but what I want to know is, is there any real justification speaking from commonsense point of view for this difference of Rs. 10 or Rs. 11 for these two grades of salt?

Mr. Biggar.—I cannot see very much difference in colour. The only difference that I have understood between these two is the difference in grain.

President.—As an ordinary man I ask you whether you would pay Rs. 11 more. To start with, really speaking, on the actual qualities there is no room for the difference in price.

Mr. Biggar.—I should not say personally. But as we are tradesmen we have to sell. If it is asked for I should try and supply.

President.—Now the trade is out of the way. On the assumption that the scheme of ours would go through, do you agree that it would be better more or less if these artificial difference in qualities were abolished?

Mr. Biggar.—Speaking for India do you mean?

President.—Yes.

Mr. Biggar.—All I can say is I cannot understand why they have these preferences.

President.—Therefore if you cannot understand the thing, there is no reason why it should continue.

Mr. Biggar.—In the bazaar in almost all trades they have extraordinary preferences. We try to compete against them and we try and convince them. It would be much easier for us if we could tell them what they ought to buy.

President.—Quite true. If there is no reason for the continuance of this state of affairs, they have to discontinue it. We are leaving the trade out of account. We are not interested in the trade particularly. Now we are interested in the consumer. If the consumer really speaking doesn't make any difference, why should he be made to pay more for a quality which doesn't really exist?

Mr. Biggar.—I don't see why he should have these preferences.

President.—From the point of view of purchasing in the open market, if we were to ask for tenders for Tunis salt or Cadiz salt, we are in the same difficulty. But if we were to ask for tender for white crushed salt, quality being prescribed, it would be much cheaper, would it not? How is the Government to go into the market and ask for what?

Mr. Price.—You would prescribe standards.

President.—Two or three different standards on analysis. Salt is a chemical and therefore it is possible to prescribe the quality and say "This is our first, second and third grade". At present don't you agree that there are broadly speaking about 3 kinds of salt available in the market. First you have got this Liverpool, Cheshire and Hamburg superior and then you have got all these, Spanish, Port Said, Tunis and the rest and then you have got Aden. Aden salt is distinctly different from these other salts. (Samples shown.) Therefore so far as the crushed salt is concerned, there need not be more than three grades, is that not so?

Mr. Price.—Yes.

President.—First is Liverpool by itself. It is a different process. You have got this fine crushed and then you have the other quality.

Mr. Biggar.—I agree.

Mr. Price.—You would call for special tenders as regards Liverpool or for the three grades.

President.—Three qualities. It may be two qualities. It all depends on how the market takes. The fewer the qualities the better chance there is of equalising prices.

Mr. Price.—How do you know from your point of view which salt was wanted? Do you always get the best quality or the lowest?

President.—The aim would be to encourage that salt in the market for which there is a general demand. The prices must be so adjusted only that salt is principally sold. But that is not a thing which either you or I can say straight off until the new scheme is tried.

Mr. Biggar.—Would the Government propose to retail salt?

President.—The retail question doesn't arise at all.

Mr. Biggar.—Can they ensure any better than the present trade that the consumer would not have to pay more?

Mr. Mathias.—They would by fixing the price definitely for a long period of years—they might fix it at Rs. 75 for instance—that would give sufficient time for the retailers to standardise prices.

Mr. Biggar.—The idea is to fix prices for a long time.

President.—The idea is to stabilise the prices permanently. It is a thing which is required by people always. There is no question of profiteering. The salt will continue to be sold at the same price or if there is any surplus it goes to the Government—or at such price as may be fixed.

Mr. Price.—Is there any other commodity which is being treated like this?

President.—There is no other commodity which is in such universal use as salt.

Mr. Price.—Sugar.

President.—Salt is much more in use than sugar.

Dr. Matthai.—Control of salt is a usual feature in various countries.

President.—We can't find any solution of this problem. The first is the protection of the Indian industry. That is important. The second is the control of quality and the third is the stabilisation of prices. Stabilisation of prices and the protection of the industry are really one and the same question.

Mr. Biggar.—When you say protection, I take it you mean expansion too.

President.—Yes. What would happen would be if the Indian production increased, foreign salt would go out.

Mr. Biggar.—Do you think that it would get to the stage that it could dispense with protection and supply the whole demand of India?

President.—The idea of protection in this case is very different. This scheme doesn't contemplate any protection in the ordinary way at all. You simply get a certain price for a certain quality. If that price is not higher than the price at which foreign salt is being sold in the market, there is no question of its not being able to do without protection.

Mr. Mathias.—There is no permanent burden on the consumer.

Mr. Biggar.—Do you propose to pay for the Indian product at a higher price than you pay for the same stuff that you buy by tender?

President.—It may be higher or it may be lower. It is a reasonable price for the manufacturer and if we are satisfied that this price will not exceed the price which the consumer on an average has paid for the last ten years, there is no reason why the Indian manufacturer should not get that price. It is only to give him a feeling of security. Supposing this is done, how far the present organisation will be continued as regards the trade.

Mr. Biggar.—In our own case our principals correspond with us when they are sending out a cargo. They charter a steamer when things are in their favour, when things are cheap.

President.—Your position would remain the same assuming that your tender is accepted.

Mr. Biggar.—I should still be the agent for it.

Mr. Mathias.—The only difference is if your tender is accepted that your principals are sure of their price, whereas in the present case there is more fluctuation.

Mr. Biggar.—In some cases the principals have sent cargoes and have taken their chance. In some cases they have sold them outright. In some case they are sent to us and our principals at home tell us at what price we ought to sell.

Mr. Mathias.—In a sense there would be more certainty as far as the price is concerned.

Mr. Biggar.—Yes. The only objection from their point of view would be that they might have stock to sell in India at the best price that they could get. If they tendered, they would have to make sure that they did.

President.—That is perfectly true. The trade also must take some responsibility when the change takes place.

President.—In so far as the foreign manufacturer is concerned, it may be a merely temporary matter. If India produces this salt, the foreign salt will have to make way. It is merely a postponement.

Mr. Price.—That is right.

President.—Of course if India doesn't at all succeed in producing this salt, there is an end of it. But I am very doubtful whether that would happen. It is only during the transitional period that this question arises.

Mr. Price.—How long do you think it would take to shut out the foreign imports?

President.—Some manufacturers are very good optimists. If you believe them, it might take two years. There are others who think that it might take 10 years. There are still others who think that it would never happen. Unless we are sure that some time or other—we cannot definitely fix the period—India is going to manufacture this class of salt we may say that it is not worth doing.

Mr. Biggar.—The idea is that eventually India will be able to dispense with imports entirely?

President.—Well, that is the object.

Mr. Biggar.—Do you mean that if there is no prospect within some time, you don't propose to protect at all?

President.—We never fix the period. If we are satisfied that in five, ten, fifteen or twenty years—or it may be more—it can be done, we should recommend protection. If we are satisfied on the other hand that it can never be done, we say that it cannot be done, that is to say if it is a question of protection in the ordinary way by increasing the burden on the consumer. Here that is not the case.

Mr. Biggar.—You will only put the proposal for helping the industry forward if you think that eventually India can supply enough to dispense with the imports entirely?

President.—If we are satisfied that no greater burden is imposed by this, we will do so. It does not matter if India does not produce the whole quantity. The whole point is this: if the consumer has not got to pay anything for it, there is no reason why it should not go on for ever until India does produce. As it happens, the price at which the salt is sold may be very much higher than would suffice for the Indian manufacturer.

Mr. Mohomed, have you any suggestions to make?

Mr. A. Mohomed.—(On behalf of Messrs. W. M. Kasam Dada). Our position will be quite clear from this letter.

"We beg to state that our firm of Messrs. Hoosen Kasam Dada has been interested in the Salt Trade in India since over forty years, and take the liberty of placing our views before the Board for their consideration.

From our past experience During and Post-War period you will all agree with me, that it is really high time, that an attempt should be made to make India self-supporting in its supply of salt for home requirements. and we would recommend the Board to reduce annas four per maund in duty on salt manufactured in India, so as to encourage the Indian Salt Factories to develop their works on modern principles and manufacture good, white crushed qualities suitable for Bengal and Burma markets.

In this connection, we would also like to add that Aden Salt Factories be included amongst the Indian Salt Works as three out of four factories in Aden belong to Indians, with Indian management and Indian capital. They also manufacture qualities, which are perfectly suitable for our markets. Besides these, they can supply practically 50 per cent. of the Bengal's requirements. Without the inclusion of the Aden Factories, it is impossible for other Indian concerns to meet the requirements of this province. Karachi has also started manufacturing very suitable qualities and Okha in course of time we understand will also be able to make larger shipments for this market

The concession in duty on Indian salt which we recommend should be for a period of at least five years, within which time the Indian salt concerns ought to be able to stand on their own legs and to be fit enough to stand against foreign competition.

In short there are two factors essential for making India self-supporting in its supply of salt; firstly a concessional duty be introduced for a period of five years and secondly that Aden salt factories be included amongst the Indian concerns.

We shall consider it an honour if we can help you any further in your present difficult and arduous task."

President.—This aspect of the case has already been put to us.

Mr. Mohomed.—I may say here that Messrs. Hoosen Kasam Dada are keen to invest a big sum (say 25 to 50 lakhs of rupees), provided Government gives them a concessional duty, on any plot of land suggested by Government.

President.—What do you mean?

Mr. Mohomed.—They want to become manufacturers but they have not got the facilities.

President.—What facilities?

Mr. Mohomed.—A new company, you will admit, cannot compete against well established foreign concerns.

President.—Do you propose to start a factory?

Mr. Mohomed.—Yes, in any place which Government may recommend.

President.—It is not the duty of Government to recommend a site.

Mr. Mohomed.—Karachi will be a suitable site.

President.—If we deicide to assist this industry—whether by a duty of four annas or in some other way—then there will be time enough to find out where you are to invest your Rs. 15 lakhs which is in your pocket.

Mr. Mohomed.—It depends on what other things you suggest.

President.—Quite. If I were you, I would not be in such a hurry to invest till I knew the whole thing.

Mr. Mohomed.—Exactly. Only when the concession in duty is granted we will invest the money, but I am discussing this now because our future actions depend on your decision.

सत्यमेव जयते

BABU ASHUTOSH SIL.

Evidence of Babu ASHUTOSH SIL recorded at Calcutta on Thursday, 17th January, 1930.

President.—You are interested in salt business for how many years, Mr. Sil?

Mr. Sil.—For the past three decades.

President.—In what way are you interested?

Mr. Sil.—I am buying salt and selling it in the mufassal.

President.—You buy on your own account?

Mr. Sil.—Yes.

President.—In what part of the mufassal do you generally sell?

Mr. Sil.—Up to Dibrugarh in Assam, Benares in the United Provinces and in the south to Bhadrak, Chandbali and other stations.

Dr. Matthai.—What business do you do per month?

Mr. Sil.—About 80,000 maunds per month.

President.—What is the principal kind of salt you deal in?

Mr. Sil.—I deal mostly in cheap salt, Aden fine, Massowah and that kind of salt.

President.—You don't deal in Liverpool salt?

Mr. Sil.—Yes I do. There are certain markets where Liverpool salt is wanted, there are certain markets where Port Said salt is wanted, but chiefly cheap salt is wanted in all markets.

Dr. Matthai.—What markets want Liverpool salt?

Mr. Sil.—Manipur Road, Arrah, Patna, etc.

President.—First of all I suppose you get orders from your agents?

Mr. Sil.—Yes.

President.—Then you buy against these orders?

Mr. Sil.—I keep stocks of salt in the *golas* on my own account.

President.—Have you got separate *golas*.

Mr. Sil.—No. I don't pay rent for the *gola*. If I buy 5,000 maunds I take out bills of entry and the salt is left not separately but with the bonded salt which I consume gradually, say 2,000 maunds to-day, a 1,000 maunds to-morrow and so on.

President.—First of all you buy the salt?

Mr. Sil.—Yes. I have 40,000 maunds of salt in the *golas*.

President.—You keep stocks in the importers' godown?

Mr. Sil.—Yes.

President.—You have already paid for it?

Mr. Sil.—No. Before delivery we have to pay the duty on the salt to the Government and the value of the salt to the bonders and then we get delivery orders.

President.—You first make the contract with him?

Mr. Sil.—All contracts are verbal. These importers and bonders rely on us.

President.—These sales are a sort of forward purchases on your part?

Mr. Sil.—Mostly we do so, because unless we purchase forward if to-morrow the market goes up where shall I be?

President.—What is the price that you pay?

Mr. Sil.—Supposing I buy salt at Rs. 50 to-day; if I take delivery to-morrow I have to pay Messrs. Turner Morrison & Co., at Rs. 50, and they will issue to me a delivery order.

President.—It is a forward sale if you are taking delivery a month hence?

Mr. Sil.—Yes.

Dr. Matthai.—You pay the price which rules on the day on which the contract is made?

Mr. Sil.—Yes.

Dr. Matthai.—But the actual payment is not made till you take delivery.

Mr. Sil.—That is so.

President.—What is the usual time between the date of contract and date of delivery?

Mr. Sil.—That is mutually arranged; that depends on the market conditions.

President.—How do you determine the different classes of salt that you have to buy?

Mr. Sil.—I am in this line for a great many years and I can distinguish one salt from the other.

President.—That is true but you do not know how much of each quality is required. How do you find that out?

Mr. Sil.—For example you are a seller of Liverpool salt: I take 10,000 maunds from you. Another man sells Massowah salt, I take 1,000 maunds of that and as soon as these salts are sold I enter into another contract with some other man. That is my practice.

President.—Have you got your own agents in the mufassal?

Mr. Sil.—No, but I secure orders.

President.—How do you secure them?

Mr. Sil.—By canvassing the mufassal people's agents here.

Mr. Mathias.—Do you send wagon loads.

Mr. Sil.—Yes.

Mr. Mathias.—Direct to the customer?

Mr. Sil.—Direct to the consumer there. The railway receipt will be in my name. The consignee may be Ganesh Das, Araria or somebody else.

President.—Does he pay you cash?

Mr. Sil.—No. On production of railway receipt we realise cash.

President.—After you have sent the consignment do you hand over the receipt?

Mr. Sil.—I hand over the receipt to the mufassal people's agent here in Calcutta.

President.—He pays you cash?

Mr. Sil.—Our system is cash but he generally pays within two or three days. That is done with mutual consent.

Dr. Matthai.—Do you sell in Bihar?

Mr. Sil.—Yes in almost all parts.

Dr. Matthai.—In what part of Bihar do you sell?

Mr. Sil.—Madhupur, Karmatar, Baidyanath, Jamtara and all these places.

Dr. Matthai.—The demand in Bihar is for the same kind of salt as in Bengal?

Mr. Sil.—Yes, practically the same.

President.—We want to know how far the prices in the mufassal are affected by a rise or fall in the prices here and we have got no evidence so far.

Mr. Sil.—They send letters or telegrams. If for example the salt price has dropped down by Rs. 8 they immediately send a wire.

President.—Of course the wholesaler knows what the prices are in Calcutta, but when he sells does he increase or reduce the price?

Mr. Sil.—No. The practice of business people is this. Supposing I have purchased certain quality of salt at Rs. 2. I will try to realise that Rs. 2 by selling the salt and when that stock is consumed then they indent for further salt.

President—You will do so.

Mr. Sil.—The mufassal people.

President.—The mufassal people (wholesalers) will sell in bags.

Mr. Sil.—Yes.

President.—Supposing the price of salt when he buys it is Rs. 50 and there is a sudden drop of Rs. 10 and he has got stock will he sell at Rs. 50 or what?

Mr. Sil.—He will try to get as much as he can. That is the business policy.

President.—I know. That is what I am trying to understand.

Dr. Matthai.—Somebody else who might have purchased at the reduced rate might perhaps . . . .

Mr. Sil.—Then he must have to go with him.

Dr. Matthai.—If he has sufficient stock this man's price must come down.

Mr. Sil.—Certainly.

Mr. Mathias.—That presumes there are several dealers in the market in the mufassal.

Mr. Sil.—Yes.

Mr. Mathias.—If a particular place is not a big town even if the price is reduced to Rs. 50, if he has been selling before at Rs. 100 he will continue to sell at Rs. 100.

Mr. Sil.—Yes.

Mr. Mathias.—It entirely depends on what competition he has to face.

President.—But in most places there won't be many dealers.

Mr. Sil.—I have seen the mufassal. There are at least three or four competitors in almost every place. Nobody can earn money easily.

President.—They are not losing very much.

Mr. Sil.—No.

President.—Can you give me any definite evidence that there has been a reduction of Rs. 7 per 100 maunds in the mufassal?

Mr. Sil.—I can't point out in black and white.

President.—Then how do you know?

Mr. Sil.—No sooner are the old stocks consumed than they will sell at the reduced rate.

Dr. Matthai.—Have you any information during the past week in the districts where you are selling that the prices have come down?

Mr. Sil.—Not yet. One wagon takes about 8 to 10 days to reach destination.

Dr. Matthai.—Your impression is that it is likely to come down?

Mr. Sil.—It will come down.

Mr. Mathias.—Taking the wholesale dealers in the mufassal to whom you sell, if you have conditions in the Calcutta market where prices vary very quickly—for instance this week it is Rs. 80, next week it is 100 and it drops to Rs. 75 the week after—it is probable that there will be no reduction in the mufassal proportionate to the reduction in Calcutta. They will try and

maintain the higher rate, that is to say they will keep at Rs. 100 as long as possible.

Mr. Sil.—They will combine and keep the market at a high figure.

Mr. Mathias.—When there are frequent variations the reduction in price is not passed on to the consumer, isn't that so?

Mr. Sil.—I don't follow.

Mr. Mathias.—All I mean to say is that if the prices are reduced every month or so then any reduction in price really goes to the wholesale dealer in the mufassal. It is he who gets the advantage.

Mr. Sil.—That is not so.

Mr. Mathias.—He must be in a position of great uncertainty. He has some stocks at Rs. 100. Then in a fortnight or three weeks he has to buy again at Rs. 75. Then he has to buy again at Rs. 100. He is continually uncertain as to what he will have to pay. So in order to protect himself he will always sell it at Rs. 100.

Mr. Sil.—The practice is this. Supposing I am a merchant in the mufassal; I have got one wagon load of salt in my stock. I will indent another wagon that should be sent to me in a few days. I contract for another wagon; in this way the mufassal dealer always keeps three wagons on hand to touch every market.

Mr. Mathias.—But he must fix in his dealings throughout the year such a wholesale price as will compensate him for any variations.

Mr. Sil.—If there be no fluctuations there is no comfort. We want fluctuations.

Mr. Mathias.—Why?

Mr. Sil.—Sometimes we lose and sometimes we gain, that is our business idea.

President.—To have some fluctuations?

Mr. Sil.—Yes. We don't want stabilised prices.

Mr. Mathias.—In practice it pays you. The wholesale merchant would as a rule aim at selling at a fixed figure as far as possible. Any fluctuations there may be would be to his advantage.

Mr. Sil.—That is so.

Mr. Mathias.—So that they would really like fluctuations?

Mr. Sil.—We people like fluctuations.

Dr. Matthai.—You accept that statement that the wholesaler likes as far as possible to have the selling prices fixed more or less, but he would like to have downward variations as regards the purchasing prices. Is that your position? If he could possibly get a reduction in the price at which he purchases he would be glad but he would not like any variation in the price at which he likes to sell. Is that the general position?

Mr. Sil.—That won't be. I have to sell the salt according to the rate at which I have purchased. If the market goes up I will make some profit.

President.—From the consumer's point of view don't you agree that these fluctuations are not very good?

Mr. Sil.—We want fluctuations.

President.—I understand that your point of view is that fluctuations give you more scope to make money, but what about the consumers?

Mr. Sil.—In Calcutta the grocer sells generally at the same rate.

President.—It is the same thing in the mufassal.

Mr. Sil.—Yes.

President.—Whatever the price in Calcutta may be it does not matter to the retailer who always sells at the same price.

Mr. Sil.—Yes.

Mr. Mathias.—How does he fix his price?

Mr. Sil.—To-day 2½ seers of salt sell at 4 annas; after a fortnight it is also 4 annas.

Mr. Mathias.—On what principle does he sell it? Is it a rate to which the customer has been accustomed for a very long time and so is in a position to bear?

Mr. Sil.—After consuming the old stock they will reduce the price. If the market in Calcutta has come down by, say Rs. 7, the old rates are still maintained in the mufassal until the whole of the old stock is consumed.

President.—In a particular place people have been always selling at so many seers a rupee so whatever the price in Calcutta is they stick to that price, that is to say whatever change takes place here does not affect them there. Is that the position?

Mr. Sil.—That is so.

Dr. Matthai.—How does the average consumer buy his salt? Does he buy it by itself or does he go for his vegetables and other things and gets a little quantity of salt? Is that the usual way in which the consumer buys his salt?

Mr. Sil.—That is the way.

Dr. Matthai.—So that there isn't very much scope for variations in price?

Mr. Sil.—No.

Mr. Mathias.—As regards the wholesale price of salt, take the wholesale price of salt in Calcutta for the last three years. The price of Liverpool salt has been reduced from Rs. 118 to about Rs. 73. Has there been a corresponding reduction in the mufassal also?

Mr. Sil.—Yes.

Mr. Mathias.—I see from the figures given to us that in 1917 the price was Rs. 2-10-0 and now it is Rs. 2-7-0, that is to say it has fallen by 3 annas. In the meantime the price of imported salt in the market has dropped by 7 annas, so that the wholesalers have not reduced their price to the total amount of reduction. Could we conclude that that is the usual trade practice?

Mr. Sil.—Yes.

Mr. Mathias.—The wholesaler only reduces his price so far as he is compelled to do so by competition, but competition is not sufficiently effective to reduce the prices by the total amount of reduction in the price of imported salt.

Mr. Sil.—I am afraid I don't quite follow.

Mr. Mathias.—What I was asking you was whether in your experience you think that the conditions of competition in the market are such as not to compel the wholesale dealer to reduce his price by the total amount by which the *ex-gola* prices were reduced.

Mr. Sil.—I cannot tell you.

Mr. Mathias.—These figures that I have got indicate that the *ex-gola* price has dropped by 7 annas whereas the wholesale price has dropped by 3 annas in the last two years.

Mr. Sil.—What do you mean by wholesale price?

Mr. Mathias.—The wholesale price in the Calcutta market—not the *ex-gola* price, not the price at which the shipper sells *ex-gola* but the wholesale bazar price.

Mr. Sil.—What do you mean by wholesale bazar price?

President.—The price per bag.

Mr. Sil.—I cannot give you any idea.

President.—You say you deal very largely in the cheaper quality salt. Supposing the qualities were different in name, that is to say instead of Aden, Massowah, Red Sea or so on we simply had one quality will you have any difficulty in selling that salt?

Mr. Sil.—No.

President.—As one single quality?

Mr. Sil.—Yes, but that salt should be fine white.

President.—The same class as Aden salt?

Mr. Sil.—That will do.

President.—You will be able to sell that quality?

Mr. Sil.—Yes.

President.—So also the superior quality salt you may be able to sell if you simply called it superior salt instead of Liverpool, Hamburg or Spain.

Mr. Sil.—Yes.

President.—You will have no difficulty in persuading your consumer to purchase it?

Mr. Sil.—No.

President.—Do you think that they will buy it?

Mr. Sil.—Yes; they will buy provided it is really superior.

President.—What do you think is the difference in price that you would be able to get between the Aden quality and Hamburg or Spanish quality?

Mr. Sil.—If Aden salt were to be sold at Rs. 70 the Spanish salt will be sold at Rs. 72.

President.—And Liverpool?

Mr. Sil.—At Rs. 73.

President.—That is all?

Mr. Sil.—Yes.

President.—Can you get Liverpool at Rs. 73?

Mr. Sil.—Formerly there was only a difference of Rs. 3.

President.—When.

Mr. Sil.—Before the war. A difference of one anna per bag is sufficient.

President.—Supposing there was no Liverpool or Hamburg salt people will eat it?

Mr. Sil.—Yes. There will be no difficulty about that.

President.—Provided at least it is of the Aden quality?

Mr. Sil.—Yes.

President.—Of course the Bombay quality will not do.

Mr. Sil.—No, but Bombay can produce better salt. Bombay itself consumes a better stuff and sends the refuse here.

Dr. Matthai.—Have you ever sold Karachi or Okha salt?

Mr. Sil.—Yes.

Dr. Matthai.—What kind of price did Okha get?

Mr. Sil.—If Aden is sold at Rs. 70 I can sell Okha at Rs. 68. For the last three or four months I am taking a large quantity of Karachi salt.

President.—The lowest quality of Karachi salt for instance what difference would you make?

Mr. Sil.—Grax have got 3 or 4 different qualities.

President.—The best quality?

Mr. Sil.—Best quality Grax I have sold at Rs. 72 when Liverpool was Rs. 80.

Mr. Mathias.—You say the actual value of Cheshire salt is only Rs. 3 more than Aden salt per 100 maunds. How do you account for the fact that there is such a big difference.

Mr. Sil.—These conference people have made it. They are the root of all evils.

Mr. Mathias.—You think that the difference in price that there has been between Liverpool and other salts is due to the conference?

Mr. Sil.—Yes.

Mr. Mathias.—Now that there is no conference Liverpool salt must come down?

Mr. Sil.—Yes.

Mr. Mathias.—The conference only started in 1927?

Mr. Sil.—Yes.

Mr. Mathias.—There has been a bigger difference than Rs. 3 before the conference started.

Mr. Sil.—Yes. That depends on the stock and many other factors.

Mr. Mathias.—There was no conference in 1924, but we find that the price of Liverpool then was Rs. 80 and Aden Rs. 70 so that there was a difference of Rs. 10.

Mr. Sil.—That is according to stocks they held. If you make the difference big the quantity sold will be small.

Mr. Mathias.—It seems rather peculiar: looking through the prices year after year I find the difference between Aden and Liverpool is Rs. 8 to Rs. 10.

Mr. Sil.—Since the war that difference has been maintained.

Mr. Mathias.—It has been maintained by the conference.

Mr. Sil.—The import of Liverpool in those years you are speaking of was poor.

Dr. Matthai.—If you take Liverpool and Aden what kind of difference in price must exist between the two qualities of salt?

Mr. Sil.—Rs. 3.

Dr. Matthai.—For people to take Aden in preference to Liverpool?

Mr. Sil.—Yes.

Dr. Matthai.—At present the difference is how much?

Mr. Sil.—Rs. 7 or 8 between Aden and Liverpool.

Dr. Matthai.—At that price they will buy both?

Mr. Sil.—Yes.

Dr. Matthai.—Supposing I want to see that Liverpool salt is not bought at all but only Aden. What kind of difference in price must there be?

Mr. Sil.—Rs. 10 to 12.

Dr. Matthai.—If it is a difference of Rs. 12 people would buy Aden rather than Liverpool?

Mr. Sil.—Yes.

Dr. Matthai.—In the last 20 years Liverpool consumption has gone down from 80 per cent. of the total amount to about 15 per cent: do you attribute that to the difference in price between the Aden salt and the Liverpool salt?

Mr. Sil.—Yes, because Bengal is poor and we want cheap quality. The cheapest quality is the best for us. We want cheapness first and foremost.

President.—I understand your position is this. If Liverpool wished to supply the whole of the Bengal market, it would have to sell its salt at only Rs. 3 above the Aden salt. If it insists on getting Rs. 8 more than the Aden salt, it would gradually lose the market.

Mr. Sil.—Yes.

President.—That is Spanish salt and this is Aden (Samples were shown). Do you see any great difference between the two?

Mr. Sil.—Not much. Of course the Spanish salt is whiter.

President.—A little bit whiter.

Mr. Sil.—Yes.

President.—Therefore it is worth Rs. 2 more.

Mr. Sil.—Yes.

President.—The point is if the Spanish salt is not there, will you get the same price more or less for this Aden salt as you would get for the Spanish salt?

Mr. Sil.—If the importers asked for a higher price, we must pay a higher price.

President.—I am talking of the consumer here. Will you be prepared to pay the same price for Aden as for Spanish?

Mr. Sil.—Yes, because the other salt is not available.

Mr. Mathias.—Do you mean that the price really depends on competition?

Mr. Sil.—Yes.

President.—You have thirty years' experience. Supposing you were asked to market only two qualities of salt—superior and white crushed—how would you fix the prices?

Mr. Sil.—On the purchasing price. Of course, I would have to keep a certain amount of margin for sale.

President.—How will you fix them supposing there are only two qualities?

Mr. Sil.—If the Aden salt is selling at Rs. 76, the better salt will be sold at Rs. 79.

Dr. Matthai.—Do you mean Liverpool?

Mr. Sil.—Yes.

President.—What you mean is that if Liverpool wanted to sell a fairly good quantity, it would only sell at Rs. 3 difference.

Mr. Sil.—Yes.

President.—There would be a certain quantity of Liverpool salt always sold in the market even if the difference was very big.

Mr. Sil.—Yes. Recently I sent two wagons of salt to Haludpukur but they were refused. They wanted Aden fine but as the market went down I sent Rumanian salt instead which is a better stuff. They refused to accept it.

President.—Who are these people in Haludpukur?

Mr. Sil.—Marwaris. There are certain stations where only certain salts are consumed.

President.—Would you be in favour of the abolition of the distinction between different qualities? I am asking your opinion as a dealer.

Mr. Sil.—No, I am not in favour.

President.—Why? Is it because it gives you more scope for fluctuations?

Mr. Sil.—Yes.

President.—It is for that reason that you would not like the distinction in quality to be abolished?

Mr. Sil.—The Conference people have robbed us right and left in these three years, *viz.*, 1927, 1928 and 1929. Had there been no conference and had there been free competition, the market would have come down and the people would have been benefited.

President.—But you would not sell at cheap rates.

Mr. Sil.—Why not?

Mr. Mathias.—I quite admit that you would reduce your price but the retailers in the mufassal will not reduce his price.

Mr. Sil.—They will do so.

President.—The conference has now broken down. Supposing there is no further conference, at what price do you expect to get the Liverpool salt?

Mr. Sil.—At Rs. 55.

President.—As low as that?

Mr. Sil.—Yes, if they are to sell here they must bring down the price.

President.—Why?

Mr. Sil.—There are other salts which will be sold cheaper.

Dr. Matthai.—Just before the conference started Liverpool was sold at Rs. 120?

Mr. Sil.—At that time the freight was high. Now they are bringing it at 9 shillings. On that basis, the price should be Rs. 55.

Mr. Mathias.—Then, the Spanish salt would go out.

Mr. Sil.—Yes, and also Rumania. But the Red Sea salt cannot be hindered. It will come in full swing.

President.—What do you think that the Red Sea salt will be sold at?

Mr. Sil.—Rs. 50 to Rs. 52.

Dr. Matthai.—What about Aden?

Mr. Sil.—I am speaking of Aden.

Mr. Mathias.—Do you think that they will make a fair profit at that price?

Mr. Sil.—Some profit, but they won't incur any loss.

Dr. Matthai.—If Aden is Rs. 50 what do you think the good quality of salt from Karachi would get?

Mr. Sil.—The same price as Aden.

Mr. Mathias.—What will Grax Fine fetch if Aden is sold at Rs. 50?

Mr. Sil.—Rs. 55.

President.—Do you think that the best quality of Karachi salt that you have got could be sold in competition against Liverpool?

Mr. Sil.—Yes, but it won't get the same price.

President.—What would be the difference?

Mr. Sil.—Rs. 2 or Rs. 3.

At this stage Mr. Kassim Ibrahim of Messrs. Hajee Habib Hajee Pirmahomed came and in reply to the President said as follows:—

Mr. Kassim Ibrahim.—I only deal in Bombay salt. I get all my salt from Bombay or round about Bombay. I do business to the extent of three or four lakhs of maunds which is about half the total of the imports from Bombay. The freight from Bombay is Rs. 5-12-0 to Rs. 6-4-0. If we don't have a full cargo, we have to pay about Rs. 7 to Rs. 7-8-0. Three of us are doing business together in Bombay and we generally get one steamer load. We sell in Rajshahi, Nadia and Burdwan.

President.—What is the reason for selling this salt in Burdwan?

Mr. Sil.—Because Hindus think that it is pure.

President.—Anybody can see that it is not pure. How much mud in the salt will they accept?

Mr. Sil.—The Bombay salt contains sand if I remember right.

Mr. Kassim Ibrahim.—There is a slight reduction in the sale of Bombay salt now. That is because competition has been increasing from all sides. We think that the Bombay salt is hit more than the other salts.

Mr. Sil.—The Karachi salt is replacing the Bombay salt.

President.—That is to say inferior Karachi (karkuch).

Mr. Sil.—Yes.

President.—Owing to the entry of Karachi and Okha into the market, there is less demand for Bombay now.

Mr. Sil.—Yes. Aden karkuch is sold at cheaper rates than Bombay salt. When Bombay was 75, Aden used to be sold at 54. For example Pakur on the East Indian Railway is a station which used to take both Bombay and Aden karkuch, but now they are taking Aden salt mostly because the Bombay importers rates are high.

President.—At present the price of Aden karkuch is Rs. 58 while the price of Bombay salt is Rs. 60 *ex*-steamer, so that if Aden were to drop by Rs. 5 or Rs. 10 Bombay salt will go out. Is that the position?

Mr. Sil.—Yes.

President.—Mr. Kassim, what is the price of salt f.o.b. Bombay?

Mr. Kassim Ibrahim.—It is about Rs. 78 for 70 maunds, that is about 4 annas a maund in Bombay. In addition we have got to spend another 10 to 12 annas a ton before it is put on board the steamer so that the price will be about 4 annas 6 pies f.o.b. Bombay. Sometimes our stocks have to be kept as long as 12 months in the *golas*.

President.—What is the difference in the bazar between the price of Aden karkuch and crushed?

Mr. Sil.—At present the prices are almost the same.

President.—But generally?

Mr. Sil.—There should be a difference of Rs. 4 or 5 per 100 maunds between karkuch and crushed. I know of an occasion when a City Boat brought a cargo of salt at 3*d*. per ton and no salt can therefore compete with English salt if this goes on.

Mr. Mathias.—You mean the freight was as low as 3*d*. per ton?

Mr. Sil.—Yes.

President.—We cannot tell in what way freights are going to behave in the future.

Mr. Kassim Ibrahim.—If Bombay salt goes out we will have to close down. We won't deal in any other salt. But the production of salt in Bombay should be encouraged.

President.—But if you can't produce as white salt as Karachi produces there is no point in asking that Bombay salt should be encouraged.

Mr. Kassim Ibrahim.—If the manufacture of salt was given encouragement we would be able to produce the same quality of salt as Karachi at the same price. We are sure that we can manufacture better quality of salt if we get a better price.

President.—At what price?

Mr. Kassim Ibrahim.—We are not in a position to say at what price. That is for our principals at Bombay to say. They are Messrs. Suleman Kasim Haji Mittha.

Mr. Sil.—May I read a note which I have prepar ?

President.—Certainly.

Mr. Sil.—The salt enquiry by the Tariff Board has its existence in the instance of Mr. N. C. Kelkar. Our leaders are mostly advocates and magnates. The so-called leaders do not consult always with the business people when they set up agitation to make any change in trade. They are not the only grasshopers skipping over the field under a British Oak. There are many Hampdens Miltons and Joan D'Arcs who are ignored and are rotting in the sun. The leaders should come in touch with people who have business capacity. Prosperity of India stands in commerce, agriculture and farming.

Now let me come to the point for which I have been summoned before the Tariff Board, that is a board to discuss duty. The salt duty is Re. 1 as. 4 per maund which is a minor figure in taxation. If our benign Government is forced to make any preferential tariff on indigenous salt I am afraid the whole world will stare at the India Government. Now the talk of free trade floats all over the world. Let the Government help the indigenous salt manufacturers by way of finance and advices of experts. Let them improve their system of turning out fine salt, when they will be able to compete with the exporters of salt from foreign lands. I do not like preferential tariff but let us show the world that India can produce as fine and white salt as that from foreign lands. We must buy our indigenous salt first at the same rate

wherein the imported salt is sold. Under the British rule people of India is luxurious. They want fine things.

If there be differential tariff on salt, the bad effect will be that the manufacturers of indigenous salt will amass money by leaps and bounds by selling their production at a good profit instead of at cheap rates. Our poor experience showed that when the Swadeshi movement was in good swim and boycott of British goods was much talked of, the Bombay and Ahmedabad millowners of piecegoods sold their production at a good profit burdening the Indian people more and more. Now Japan has come in the piecegoods market. She is selling at cheap rates her production. Are not we poor Indians benefitted by this competition. Let all the foreign countries send their salt to India in the time of free trade. Let there be keen competition. Let us see the survival of the fittest. The cheapest is the best.

My next point is quality. Our indigenous salt manufacturers must produce good salt. The English salt is bulky, fine and white. When we go to a grocer we ask for Liverpool salt he will give us a handful of English salt for a pice, but if he gives us a pice worth of any other salt it will not be handful and so big quantity we gain in buying Liverpool salt.

There are different stations prefer different kinds of salt. Some want fine salt, some want coarse salt and some want Kurkuch salt. Haludpukur is a B. N. Ry. station: some dealers of this station indented some wagons of fine salt. Roumania fine salt which is finer than Aden fine salt and a better stuff than the latter has been objected by the dealers.

My next point is freight. The Liverpool salt is imported at 9*s*. freight per ton whereas the freight for salt from Bombay, Karachi and Okha is Rs. 6 to Rs. 8. I am in salt trade for at least three decades and in this interval I have seen in the pre-war days a part consignment of Liverpool salt came out to Calcutta at 3*d*. per ton by a City boat. My inference from this I am afraid our indigenous salt cannot come to Calcutta from Bombay, Karachi or Okha at so cheap freight as that of English and German salt. Our railway freight is high Punjab can supply us some salt but the Railway freight goes against this supply. Now for the cheap rate of imported salt, some centres like Benares, Allahabad are importing salt from Calcutta which I have not seen importing any salt in this decade. Khewra, Didwana, U. P. and Sambhur Lake salt have Benares and other stations for their market.

Since the inauguration at Calcutta in 1927 of the salt conference by the importers of foreign salt, people of Bengal have lost heavily and the importers themselves have much profitted. They have amassed a crore of rupees. I pray the Government is to enact some regulations forbidding such conference.

By preferential tariff or by Government bounty the indigenous manufacturers will amass wealth but what about the general public who will suffer if competition in free salt trade is retarded. Instead of preferential tariff or Government bounty let the Government saving from the salt revenue be spent to ameliorate the condition of the poor people in the villages. I pray the Government is not to enact any rule in the free salt trade. Look at the ill-fated Sarda Bill whereby mostly 70 per cent. of Indians repine and heartily wounded. I pray through the medium of the Tariff Board His Excellency the Viceroy be moved to eface the Sarda Bill from the Statue Book of Indian Laws.

President.—You suggest that we should not take any hasty action and your suggestion is that fluctuations ought to remain?

Mr. Sil.—Yes. We will get cheap salt.

President.—You don't care whether Indian salt is manufactured or not?

Mr. Sil.—I know India cannot produce such salt.

President.—Liverpool salt has not been sold for any length of time at Rs. 55 before; why do you expect it to be sold at Rs. 55 in the future?

Mr. Sil.—It may be Rs. 80 or it may be Rs. 40.

President.—Don't you think that as far as possible Indians should encourage Indian industries?

Mr. Sil.—Yes.

President.—But you are not making any proposal which would help the Indian industry?

Mr. Sil.—I urge that Government should finance the Indian people and employ experts to enable Indians to make fine salt.

President.—What is the guarantee that Government will get back their money?

Mr. Sil.—That I cannot say. I know of thousands of people who cannot even get one meal a day.

President.—You can't say that he will eat more salt if salt was made cheaper?

Mr. Sil.—What I say is that what you are giving the industry by bounties distribute to the poor.



Messrs. BIRD & Co., Calcutta.

Evidence of Mr. L. Mitchell, recorded at Calcutta on Wednesday, the 22nd January, 1930.

President.—Mr. Mitchell, you represent Messrs. Bird and Company.

Mr. Mitchell.—Yes.

President.—They are labour contractors.

Mr. Mitchell.—Yes, as far as salt trade is concerned.

President.—With whom is the contract?

Mr. Mitchell.—With the Secretary of State.

Dr. Matthai.—How long has this contract been in force?

Mr. Mitchell.—I could not say when we first began. I think it is about 50 years. My personal experience of it is about 25 years.

President.—It is a contract which is terminable at some notice.

Mr. Mitchell.—Yes.

President.—Are the rates fixed or are they fixed from time to time by the Customs?

Mr. Mitchell.—They were originally fixed in the contract and that contract of course is still running. Whenever there is any alteration or suggestion, the Collector holds a sort of general meeting of the whole trade—everybody connected with salt. The arrangement is come to mutually. On the last occasion, for instance, people who were specially interested were Messrs. Turner Morrison and Shaw Wallace and Company and others.

President.—When did this take place?

Mr. Mitchell.—27th April 1922.

President.—Since then there had been no meeting.

Mr. Mitchell.—There was another one in 1925.

President.—Were any alterations made in the rates?

Mr. Mitchell.—The rates were raised to what they are at present because of the economic conditions immediately after the war.

President.—Was that a substantial increase?

Mr. Mitchell.—Yes.

President.—What percentage is that?

Mr. Mitchell.—The Collector in his letter at that time worked it out to 45 per cent.

President.—Over the previous rates?

Mr. Mitchell.—Yes.

President.—Were they pre-war rates?

Mr. Mitchell.—This is what he said: "Comparing this total with that in force before the war I find that it represents an increase of 45 per cent." This is a smaller percentage than has been paid on other labour contracts.

Dr. Matthai.—That was the rate fixed in 1925.

Mr. Mitchell.—1922.

President.—There was again a further increase in 1925.

Mr. Mitchell.—Yes, 4 per cent.

President.—That is to say, it is now 49 per cent. over the pre-war.

Mr. Mitchell.—Yes.

President.—Please tell me what are the principal functions that must be performed by you and by any other agency.

Mr. Mitchell.—At the golahs?

President.—From the ship onwards.

Mr. Mitchell.—We don't do anything from the ship.

President.—I want to know what you do and what is to be done.

Mr. Mitchell.—When boats arrive at the golahs, our handling begins.

President.—You don't unload the ship. That is done by private agencies.

Mr. Mitchell.—Yes.

President.—Your work is only at the golahs.

Mr. Mitchell.—Yes.

President.—That is to say, when the lighters come alongside, then your work begins.

Mr. Mitchell.—Yes.

President.—That must be done by you.

Mr. Mitchell.—Yes.

President.—On an average how many thousand tons do you handle in that way?

Mr. Mitchell.—We handle all that goes into the golahs. I didn't bring that figure with me.

Dr. Matthai.—You do the transferring of salt from the boats into the golahs and you also do the removal of the salt from the golahs when delivery is taken.

Mr. Mitchell.—Yes. The whole operation consists in carrying it to the golahs, stacking it in the golahs, breaking it up again, weighing it and putting into bags. We don't sew the bags.

President.—The first step is unloading from the barges.

Mr. Mitchell.—Yes.

President.—Do you charge separately for unloading?

Mr. Mitchell.—No.

President.—What is the first transaction?

Mr. Mitchell.—Do you mean the first charge?

President.—Yes.

Mr. Mitchell.—The first charge is Rs. 26 per 1,000 maunds for unloading from the boats or flats and storing in the golahs.

President.—Is it for unloading and storing?

Mr. Mitchell.—Yes.

Mr. Mathias.—What about night charges?

Mr. Mitchell.—Extra charges between 6 P.M. and 10 P.M. are Rs. 22.

Mr. Mathias.—Is it in addition to Rs. 26?

Mr. Mitchell.—Yes.

Mr. Mathias.—It comes to Rs. 48.

Mr. Mitchell.—Yes. I might say that it is optional.

President.—How much night work do you do on an average? What is the percentage?

Mr. Mitchell.—About 10 per cent. The work commences at about 6 in the morning and carries on all day.

President.—What is the next thing?

Mr. Mitchell.—After the salt is stored in the golahs, the next thing is to export it either by rail or by water. The charge for that includes weighing and bagging.

President.—And also removing.

Mr. Mitchell.—Yes. We have bagging, marking and loading. It also includes marshalling of wagons over the East Indian Railway.

President.—Also shunting.

Mr. Mitchell.—Yes.

President.—That doesn't include the cost of the bags.

Mr. Mitchell.—No. Nor does it include the sewing of the bags.

Dr. Matthai.—The bags are supplied by the parties.

Mr. Mitchell.—Yes, and sewing is done by parties.

Dr. Matthai.—Is that a consolidated charge?

Mr. Mitchell.—Yes, Rs. 24. Out of that the East Indian Railway pay Rs. 5-12-0.

President.—They pay Rs. 5-12-0, so that the net charge is really Rs. 18-4-0.

Mr. Mitchell.—Yes.

Dr. Matthai.—They pay you in respect of the service of marshalling.

Mr. Mitchell.—Yes, for marking and the actual stacking of it in the wagons.

President.—Does that apply to boat delivery?

Mr. Mitchell.—Yes, out of which Rs. 2-8-0 is paid by the bonder and the balance of Rs. 21-8-0 is paid by the buyer.

President.—Anyhow that charge must go to the cost of salt.

Mr. Mitchell.—Yes.

President.—That Rs. 5-12-0 goes into the freight.

Mr. Mitchell.—Rail freight.

President.—Is that all?

Mr. Mitchell.—Yes. Charges, of course, are high, but there are reasons for that. One reason is the distance over which salt has to be carried which sometimes amounts to as much as 1,000 ft.

President.—Do you make any extra charge?

Mr. Mitchell.—No.

Dr. Matthai.—Do you mean the distance from the lighters to the golahs?

Mr. Mitchell.—Yes, it is very far. Another reason is, of course, the irregularity of the arrival of the salt. If your suggestion of Marketing Board and so on came about and the arrival of salt in Calcutta was regulated, we would naturally know exactly what to anticipate each week. Taking the total annual tonnage at 500,000 tons it is practically 10,000 tons a week. If we knew that we would get 10,000 tons a week, it would make a difference in regard to the arrangement of labour.

Mr. Mathias.—That would be difficult. Weekly freights have to be arranged.

Mr. Mitchell.—Yes. Even a monthly figure would help us considerably.

President.—When the trade is organised, it is easier rather to arrange for regular supplies.

Mr. Mitchell.—Yes. At present when we get 3 or 4 vessels in Calcutta discharging the salt to the golahs at the same time, we have to employ a very large number of casual labour which is naturally more expensive than permanent. But the reduction that could be made in that respect is nothing to what could be made in another line.

President.—How do you mean?

Mr. Mitchell.—Our proportion of the cost in Calcutta is very small. The stevedoring in the steamer which consists of breaking up the salt, putting it into the basket, etc., amounts to no less than Rs. 32-8-0.

President.—Stevedoring charges before it gets into the lighter.

Mr. Mitchell.—Yes.

Dr. Matthai.—That is for hauling the salt.

Mr. Mitchell.—That is for taking it out of the steamer.

Mr. Mathias.—It is paid by the shippers.

Mr. Mitchell.—It is paid by the salt eventually.

Mr. Mathias.—It comes out of the freight.

Mr. Mitchell.—Yes.

Mr. Mathias.—If they didn't have the charge, the freight would be lower.

Mr. Mitchell.—I think that is excessive. That is one. Then, of course, there is weighing for which there is a separate Government charge per 1,000 maunds. That, of course, is reasonable. Then the boat hire from the ship to the golahs is Rs. 35.

Mr. Mathias.—Who runs the boats?

Mr. Mitchell.—Private agency. The total of those charges including our unloading charges at the golahs of Rs. 26 comes to Rs. 95. I have got a suggestion to make to the Tariff Board and that is I think that if the whole of this trade could be taken down to King George's docks and the Port Commissioners supplied modern equipment, you could get much more efficient handling and the cost of import might be reduced very considerably.

President.—That is to say, there will be less detention of the ships.

Mr. Mitchell.—The actual cost is Rs. 95 from the ship to the golahs. The cost at King George's docks would probably not exceed Rs. 50.

Mr. Mathias.—Would that mean building new golahs?

Mr. Mitchell.—Yes. But the Government have got a very valuable site at Sulkea which, with the new bridge coming along, ought to fetch a decent price.

President.—The present site would be much more valuable than any site in the King George's docks.

Mr. Mitchell.—Yes.

President.—Would the Port Commissioners have sufficient godown accommodation in the new docks?

Mr. Mitchell.—They are now building the new docks. They would be agreeable to put up a scheme if they were guaranteed about 500,000 tons a year.

President.—Where is that?

Mr. Mitchell.—Below Kidderpore.

President.—Near Garden Reach.

Mr. Mitchell.—Yes.

Mr. Mathias.—Would it be possible to unload direct from the ship?

Mr. Mitchell.—Yes, into modernised godowns. It is very difficult to make suggestions, because this is the only port that imports salt to any extent in the world and we have got nobody else's experience to go on, but I am quite sure it would not cost more than Rs. 50 per 1,000 maunds.

Mr. Mathias.—Salt is very often brought as ballast.

Mr. Mitchell.—Yes.

Mr. Mathias.—Would it be convenient?

Mr. Mitchell.—Yes. The only line which does that is the Brocklebank. They are the people who bring Cheshire salt. They have an arrangement with Cheshire people by which they can call for any quantity of salt to fill up the ship. The Brocklebank line practically regularly goes to King George's Docks. Personally I see that there would be great saving in that and by the quicker discharge you would be able to reduce the steamer freight to a great extent.

President.—That is to say, the steamers can come alongside and just empty out the thing. They would probably get emptied in a quarter of the time that it takes now and then they would be ready to take the export cargo. It is of great advantage to the ship. It doesn't mean losing that day of going out from the jetty to the docks.

President.—That would bring down the freight.

Mr. Mitchell.—Yes.

President.—At present the average time is about 10 days.

Mr. Mitchell.—Yes, 10 days on 7,000 ton cargo.

President.—That is for unloading only.

Mr. Mitchell.—Yes, with modern facilities at King George's Docks 7,000 ton cargo should be discharged in three days.

President.—By modern conveniences, what do you mean?

Mr. Mitchell.—It is very difficult to say. We have not got anybody else's experience, but what I have thought of was a grab hopper fixed to particular type of crane and a particular arrangement of chutes. That, of course, would have to be gone into. That is for the Port Commissioners.

President.—They have been able to complete all their arrangements as regards coal. It is a bigger proposition for them than salt is likely to be.

Mr. Mitchell.—They have not really been pushed in the matter of coal because they are getting their coal fairly well handled.

President.—That would be a simpler article to handle than salt in a way.

Mr. Mathias.—What it means is that the Port Commissioners would have to construct the golahs.

Mr. Mitchell.—Whether the construction of the warehouses will lie with the Port Commissioners or whether they should construct the warehouses on the Port Commissioners' land I don't know, but they would certainly have to construct quays and provide facilities for unloading the ships.

President.—Have the Port Commissioners got bonded warehouses?

Mr. Mitchell.—Wherever there are bonded warehouses they belong to the Government.

Mr. Mathias.—Your idea is that Government should sell suitable sites and subsidise the Port Commissioners?

Mr. Mitchell.—That is merely a suggestion. For an import of 500,000 tons the Port Commissioners might finance it themselves.

President.—For export by rail they have to go rather a roundabout way?

Mr. Mitchell.—No. With the new Bally Bridge it would not make any difference at all. It would rather tend to facilitate the running of trains. As far as the trade goes I don't see any objection because the quantities delivered by carts amount to 20,000 maunds a year.

President.—That is what you load from here?

Mr. Mitchell.—Yes.

President.—How much goes by boat?

Mr. Mitchell.—I could not tell you off-hand but I should think it is approximately half.

President.—Half goes from the golahs?

Mr. Mitchell.—From the ship too.

President.—About the ship you have no information?

Mr. Mitchell.—Only experience, that's all. I think about half goes by inland vessels up-country.

Mr. Mathias.—That is the reason for a general tendency on the part of the wholesalers to take delivery *ex*-ship instead of *ex*-golah?

Mr. Mitchell.—Yes. There is nothing against the inland vessels going into King George's Dock. I know that the Indian salt manufacturers are complaining about the cost in Calcutta and there is no doubt that it is excessive, but the reason is that the system is.....

President.—Before you can put salt on rail it would cost about Rs. 125.

Mr. Mitchell.—Rs. 95 *plus* 24, that is what it amounts to.

Dr. Matthai.—That is to say, delivery *ex*-golah would mean an excess of Rs. 9·5 per 100 maunds and f.o.r. Calcutta would be another Rs. 24 per 1,000 maunds, that is Rs. 2·4 per 100 maunds.

President.—That is about Rs. 12 per 100 maunds?

Mr. Mitchell.—That cost applies to all salt.

Mr. Mathias.—The conference reduced the difference between salt *ex*-ship and salt *ex*-golah to Rs. 3, so that those manufacturers or importers who have not got a connection with the up-country market to which they can ship, are handicapped to the extent of Rs. 6 or Rs. 7, are they not?

Mr. Mitchell.—Yes. The only cost of putting it into a flat direct from the steamer is stevedoring Rs. 32-8-0 and we get paid for stowing in the flat Rs. 7, or a total of about Rs. 40.

Mr. Mathias.—It costs Rs. 40 against Rs. 95.

Mr. Mitchell.—Then there is Re. 1-8-0 for weighing.

Mr. Mathias.—So that really the difference ought to be Rs. 5-8-0 per 100 maunds but actually they charge Rs. 3 per 100 maunds.

Mr. Mitchell.—Yes.

President.—An ordinary voyage from Aden takes about 3 weeks if the ship does not stop anywhere, does it not?

Mr. Mitchell.—It should not take as long as that; under 3 weeks.

President.—Then 10 days here and possibly 10 days at the other end.

Mr. Mitchell.—Yes, it would take about 30 days. There is a big difference in freight if the ship comes to Bombay; they can cut the voyage by three days.

Mr. Mathias.—Does this Rs. 95 include your charges?

Mr. Mitchell.—It includes everything.

Mr. Mathias.—Stevedoring Rs. 32-8-0, weighing on the ship Re. 1-8-0, hire of the boat Rs. 35, unloading charges at the golahs Rs. 26-0-0, that makes a total of Rs. 95. What are the details of Rs. 41-8-0?

Mr. Mitchell.—Stevedoring Rs. 32-8-0; weighing Re. 1-8-0, and the steamer company pay us about Rs. 7 for storing in the inland vessel.

Mr. Mathias.—That goes out of the freight?

Mr. Mitchell.—Yes.

Mr. Mathias.—So that it is really Rs. 34.

Mr. Mitchell.—As far as salt is concerned.

President.—Stevedoring will have to be paid by the ship, will it not?

Mr. Mitchell.—That they have to pay in any case out of the freight. You are meaning that that stevedoring must be done in any case but if the stevedore has to discharge in a modern dock like the King George's Dock, the charges will be reduced, that is to say, if I do this discharging in three days instead of 10 days the presumption is that the charges will go down by a quarter.

President.—Yes.

Messrs. MACKINNON MACKENZIE & Co., Calcutta.

Evidence of Mr. N. O. C. MARSH, recorded at Calcutta on Thursday, the 23rd January 1930.

President.—Mr. Marsh, you are in charge of the freight department of Messrs. Mackinnon Mackenzie and Company?

Mr. Marsh.—Yes, and the chartering department.

President.—That is time charters?

Mr. Marsh.—Time charter or voyage charter, as the B. I. we might be in the market as the trade demanded for time chartered steamers or voyage charter. If this trade were to develop and we found that we had inadequate B. I. tonnage to meet the traffic we might then be interested in time charters or voyage charters to carry salt from Okha to Calcutta or elsewhere, but ordinarily we would employ our own tonnage for this trade.

President.—We have three ports really: one is Aden, then there is Karachi and then Okha. These are the three we are considering. As regards Aden you would use your ordinary tonnage, would you not, if you took the freight?

Mr. Marsh.—From Aden we would usually employ B. I. tonnage. In the ordinary course of events, having despatched Company's tonnage with coal to Aden we would endeavour to secure return cargoes of salt from Aden to India.

Mr. Mathias.—How much salt is carried in your boats in the course of the year? Can you give us any idea?

Mr. Marsh.—I can give you figures accurately for the past three years after referring to records—from Aden, Okha and Karachi.

President.—Will you also give us the rates?

Mr. Marsh.—Yes.

President.—The rates have been fairly steady, haven't they, for the last three years?

Mr. Marsh.—The rates from Aden to Calcutta since 1927 have ranged from Rs. 7-4-0 to Rs. 9-12-0 per ton.

President.—But the Rs. 9-12-0 rate lasted a very short time?

Mr. Marsh.—I would say the average rate since 1927 from Aden to Calcutta has been Rs. 8 per ton.

Mr. Mathias.—Most of the salt is imported on tramp steamers to Calcutta, is it not?

Mr. Marsh.—From Aden yes. Since salt has been moving from Okha and Karachi however it has been carried very largely by liner tonnage working round the coast.

Mr. Mathias.—I am talking of the whole of the salt trade.

Mr. Marsh.—The bulk of it is carried by tramp tonnage.

Dr. Matthai.—Do you bring salt from ports beyond Aden, say Port Said?

Mr. Marsh.—No.

President.—Do you have whole shiploads from Aden or is it part cargo?

Mr. Marsh.—Full cargoes.

President.—Will you kindly go through these calculations of freights and so on sent to us by the Okha Salt* Works and let us know what you have to say about these? It would be useful.

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* Appendix A.

Mr. Marsh.—It will take time. I will go through all the items and comment on them later.

Mr. Mathias.—If facilities were given in Calcutta for unloading so that the boats were detained for less time, your rates would come down considerably, would they not?

Mr. Marsh.—Not considerably. The rates at the present level are fixed with a view to encourage trade. They are absolutely rock bottom.

Mr. Mathias.—At present it takes 12 days to unload the cargo.

Mr. Marsh.—12 days and more. Discharging of salt in Calcutta is very slow.

Mr. Mathias.—Supposing this period was reduced to 3 days will that affect your freight charges appreciably?

Mr. Marsh.—It might.

Mr. Mathias.—It was suggested to us that the site of the *golas* should be shifted to the King George's dock so that the boats could be brought alongside and the salt could be unloaded straight into the *golas*.

Mr. Marsh.—I think these possibilities should be explored.

President.—Do you think there would be an upward tendency for freight?

Mr. Marsh.—There might be in the matter of charter tonnage. If this trade is going to be encouraged presumably a consistent rate of freight is required to work on. With such, manufacturers and buyers know where they stand and can do forward business. Charter rates might go up appreciably according to the demand elsewhere for tramp tonnage.

Dr. Matthai.—Supposing we tried to give assistance to the Indian salt industry, one way in which the importer might try to hit the Indian industry is by lowering freights because the freight charges are a very important part in the cost of salt. Is it possible for you to say that there is a minimum . . . . . below which the freight from Aden to Calcutta cannot go? At present roughly the average is Rs. 8 per ton. Can you say it will never go below Rs. 5 or Rs. 6 or some such figure?

Mr. Marsh.—It is very difficult to say, because salt from Aden is carried very largely by tramp tonnage. If a tramp steamer wants employment from Aden to India it might take any rate—a ballast rate—for a cargo of salt.

Dr. Matthai.—Supposing they went in ballast from Aden to Calcutta without taking any salt at all, in that case they would not have to incur loading charges and special port dues or things of that kind, so that it might be possible for them to go without any cargo of salt at all.

Mr. Marsh.—In certain circumstances it might. For instance supposing a tramp steamer free at Aden, has its next fixture at Bombay, to load say homewards, then the owners would probably endeavour to secure salt at the best rate obtainable.

President.—Certain port dues he must pay in any case whether it comes in ballast or not?

Mr. Marsh.—Port dues when coming in ballast are slightly less.

President.—Supposing he did not want to lose anything on it provided he can cover the port dues, he would certainly take the cargo, would he not?

Mr. Marsh.—Yes, at a rate sufficiently high to cover the cost of bunker coal and other disbursements.

Mr. Mathias.—If he was going in ballast he would use less bunker coal.

Mr. Marsh.—That is all a question of what speed the ship is driven on the voyage.

Mr. Mathias.—The shipowner undertakes stevedoring; that is included in the freight, is it not?

Mr. Marsh.—Yes.

Mr. Mathias.—So that if he went without any cargo at all he would save that?

Mr. Marsh.—Yes, but presumably the ballast rate of freight would cover the cost of stevedoring, port dues and so on.

President.—What he would save would be the stevedoring of cargo but what about the ballast, does he not remove the ballast?

Mr. Marsh.—I refer to a ballast rate of freight, *e.g.*, a rate of freight on salt, or any other cargo, which is considerably lower than the current rate of freight. A steamer freight however is made from one port to another in water ballast which can be pumped out without cost. Port dues for a steamer arriving light are lower than in the case of a loaded steamer.

President.—That would be the limit provided he does not lose on the port dues and the rest of it. I mean the additional port dues he may have to pay for the cargo.

Mr. Marsh.—I think you are working round a point which might concern a particular steamer. It is all a question of on what particular engagement a steamer may have when coming from Aden.

Mr. Mathias.—But taking steamers as a whole can one say that there is a certain freight below which it cannot fall?

Mr. Marsh.—I should say from Aden to Calcutta Rs. 8 per ton. That is the lowest economical rate from the steamer's point of view.

Mr. Mathias.—At present they are charging less than Rs. 8?

Mr. Marsh.—It is an unremunerative rate.

Mr. Mathias.—Taking the trade as a whole it could not fall very much below Rs. 8?

Mr. Marsh.—It might. But Rs. 8 is as low as a shipowner would care to see it go. A tramp might be satisfied with Rs. 6 provided it suited his book.

Mr. Mathias.—You couldn't imagine any circumstances in which the Aden rate would fall to Rs. 2?

Mr. Marsh.—I don't think the trade could ever expect the rate to go below Rs. 5-8 a ton.

Mr. Mathias.—The rates from Karachi and Aden are practically the same, are they not?

Mr. Marsh.—The present Karachi rates are in the neighbourhood of Rs. 6 and 7 per ton.

Mr. Mathias.—You are speaking just now of the lowest rate which is remunerative. The rate from Aden is about Rs. 8. The Karachi rate would be much the same.

Mr. Marsh.—I should say Rs. 7 to Rs. 8 from Karachi.

Mr. Mathias.—A trifle lower from Karachi than from Aden.

Mr. Marsh.—Much about the same level.

President.—That is the normal rate you are aiming at?

Mr. Marsh.—Yes.

President.—Just now it happens to be lower.

Mr. Marsh.—The low rate arranged just now is more or less to encourage this trade to establish it.

Dr. Matthai.—Supposing Okha and Karachi ultimately developed trade to the extent of 400,000 tons of salt a year, would there be any difficulty in securing the necessary amount of freight?

Mr. Marsh.—None whatever.

President.—Would the rates remain the same or would they go up?

Mr. Marsh.—We should like to see the rates a little higher.

President.—One point I would like to be clear about is this: of course, as you know, when there is a rate war between rival lines there is no limit to which the freights might go, but I am not discussing that just now, because as you know they sometimes give a present to the consignor in addition to giving him free freight. Supposing the liners working between Mediterranean

ports and Aden feel that by the development of this industry in India itself they are likely to lose the whole of that freight, will they not then make some attempt to lower the freights and to keep the market to themselves.

Mr. Marsh.—I think not, because the rate of freight from the Continent on salt is a very low rate which is more or less a ballast rate of freight.

President.—There is no room for further reduction so far as Continental ports are concerned.

Mr. Marsh.—No.

President.—Does that apply to Port Said and Aden?

Mr. Marsh.—It doesn't apply to Aden, because this traffic is carried very largely by tramp steamers. Very rarely liner tonnage lifts salt. It may be regarded as tramp traffic almost entirely.

Mr. Mathias.—Take Liverpool. Is there any possibility of a further reduction in freight?

Mr. Marsh.—I should not think so.

Mr. Mathias.—We have been told that the freight paid for shipload of salt coming from Liverpool is based on some sort of sliding scale in accordance with the price obtained in Calcutta.

Mr. Marsh.—I am not conversant at all with the salt trade from Liverpool to India. We are not interested in it.

Dr. Matthai.—As far as you are concerned with the transport of salt, is there any practice by which the freight rate varies with the f.o.b. price?

Mr. Marsh.—I am not aware of it.

President.—What about the freights from Aden to Bombay? Are they more or less of the same order?

Mr. Marsh.—Much the same.

President.—And the same quantity of tonnage might be available.

Mr. Marsh.—I should say yes.

President.—Supposing the Aden salt is displaced in this market by some other salt, it is not impossible that Aden might try to find a market in Bombay. It was for that reason I was asking you.

Mr. Marsh.—Very possibly, but there again it is a question of tramp tonnage being available.

President.—If it was a time charter, it would take very much less time from Aden to Bombay. What is the normal time taken by a steamer from Aden to Calcutta?

Mr. Marsh.—From Aden to Calcutta the voyage will take about 12 days.

President.—If Bombay were to provide these facilities they might be better than here for unloading and so on provided they wanted to develop a new trade.

Mr. Marsh.—I think there is room for improvement here. The present system of discharging salt, weighing out and so on tends to make for very slow work. If it were possible to discharge in Calcutta into lighters as quickly as the ship could put out and then weigh in at the Government *golahs ex* the lighters, or receive into *golahs* from the lighters and then weigh out of *golahs* when the salt is sold, it would facilitate the discharge of the steamer considerably.

President.—Except that about half the salt is taken *ex*-ship.

Mr. Marsh.—Salt already sold is taken *ex*-ship. In many cases a steamer discharging salt in Calcutta is used as a "warehouse" to the annoyance of the owners. It is a difficulty, because salt is largely sold *ex*-ship. But considering the case of salt in bulk, if the ship could discharge as fast as she could put out and some arrangement made whereby salt could be weighed into or out of *golahs*, it would help matters from the ship's point of view. Improvement in this direction is the only possible way in which we could consider any revision of the rates of freight.

Mr. Mathias.—During the war all your tonnage was taken over by Government.

Mr. Marsh.—A considerable number of passenger steamers were taken over by Government as also cargo steamers under the Liner Requisition Scheme.

Mr. Mathias.—It has been stated that if the manufacture of white salt was established in Karachi and Karachi was able to supply the whole of the Bengal market, in the case of another war the freight difficulties would be such that they would not be able to export to Calcutta, is that correct?

Mr. Marsh.—That would very largely depend on the tonnage available. During the last war rates were high because of the shortage of tonnage.

Mr. Mathias.—For example if in the course of the next 10 years Karachi and Okha were able to supply 450,000 tons and a flourishing trade between these ports and Calcutta had grown up and then a war comparable to the last war broke out and tonnage was scarce, would the experience of the last war indicate that it would be impossible to export from Karachi or Okha.

Mr. Marsh.—It would not be impossible, but it would be difficult to get the necessary tonnage.

Mr. Mathias.—It would be difficult to export the whole amount, but not a considerable proportion of it.

Mr. Marsh.—Yes. Of course the same difficulty would arise in the carriage of salt from Aden and elsewhere.

Mr. Mathias.—There would still be the coal trade going to Karachi in the case of war.

Mr. Marsh.—Yes, to a certain extent.

Mr. Mathias.—That tonnage would normally come back, would it not?

Mr. Marsh.—It is difficult to say what tonnage would be available in the case of war.

Mr. Mathias.—Let me put it this way: if it was stated in the event of another war the fact that salt was manufactured in Karachi and Okha suitable to the Bengal market would not on account of the scarcity of freight help the Bengal market in obtaining its supply of salt, do you think it would be an overstatement of the case?

Mr. Marsh.—I should not say so. The Bengal market would get its salt, but at a price. Freights would undoubtedly go up.

Mr. Mathias.—Price of salt would go up undoubtedly, but would they be able to get that salt.

Mr. Marsh.—Not so freely as at the moment.

Mr. Mathias.—They would be able to get salt.

Mr. Marsh.—Yes.

Mr. Mathias.—Provided they were prepared to pay the increased freight.

Mr. Marsh.—Exactly. What the freights would be, it is impossible to say now.

Mr. Mathias.—You cannot say, I understand. One of the difficulties during the last war was not so much that the freights were higher and therefore the prices went up, but that there was an actual shortage of salt and so the speculators were enabled to force the price up still higher than the freight would justify. To the extent that there would be a source in Karachi and Okha you consider that the speculative enhancement of prices would receive something of a check.

Mr. Marsh.—It would receive a check because in the circumstances described I think Government would regulate the salt traffic and would arrange tonnage for the supply of salt in Bengal.

Mr. Mathias.—Do you think it would be reasonable to expect Government to arrange tonnage for salt from Karachi and Okha to Calcutta?

Mr. Marsh.—It would be. Salt is essential and Government would undoubtedly step in if the position became difficult.

Mr. Mathias.—So in your view it would be rather an exaggeration to say that if salt were produced at Karachi and Okha, it would not be possible to transport it in war time.

Mr. Marsh.—It might require Government assistance to transport it.

Mr. Mathias.—The position really would be that new conditions having arisen in the trade, adequate arrangements would have to be made. That is what it comes to.

Mr. Marsh.—Yes.

President.—Does not the Government get on its tonnage a certain amount of rebate or discount from the Companies?

Mr. Marsh.—No. These are the net rates.

President.—On Government freight?

Mr. Marsh.—No.

President.—Because I remember in connection with the freights from England, the reason why the purchases were made by the Government was that they were able to get better freights.

Mr. Marsh.—On salt traffic rates?

President.—I am talking of the general freight rates. Are not the Government freight rates lower, because they give you a considerable amount of tonnage which is more or less secure for you?

Mr. Mathias.—For instance in the steel trade railways gave favourable rates.

President.—Perhaps you are not aware of it.

Mr. Marsh.—I am not aware of it.

President.—That is one of the points which they raised in favour of the imports.

Mr. Marsh.—On salt freight there would be no room for rebates.

President.—Of course I wanted to know generally whether that was not the position as regards Government freight rates.

Mr. Marsh.—I am afraid I am not in a position to say anything about it.

President.—If the Government or any Company was to take for a definite period a fairly considerable amount of freight, would they get better freight rates than chartering steamers as they come?

Mr. Marsh.—We could offer a consistent rate over a year for salt from Karachi or Okha.

President.—That is all?

Mr. Marsh.—Yes, and I don't think we would be prepared to fix rates for more than a year at a time.

President.—But would you make a little reduction in favour of a large order. Supposing you were told that they would give you 200,000 tons or 400,000 tons, in that case would you consider a reduction for a definite cargo?

Mr. Marsh.—In considering our rate of freight or offering freight for a large quantity of 200,000 tons, we would fix a reasonable rate, because full cargoes might suit us better than part cargoes.

President.—We were told that some of the liners preferred the part cargo.

Mr. Marsh.—That might apply more from the Continent than from Aden, Karachi or Port Okha.

President.—Because they have got certain agreements, I understand, with the salt manufacturers.

Mr. Marsh.—Yes. We would never have any difficulty in giving part cargoes from Port Okha or Karachi to Calcutta. There are regular steamers coming round the coast to Calcutta carrying general cargo and the salt part cargoes.

President.—The point arises in this way: we are considering a scheme of general marketing of salt and if this agency bought all the salt that India

required from different places and obtained freights, would that lead to economy compared to the manufacturers themselves getting small freights and exporting that salt to different places? That is what I want to know. Supposing Government decided that certain quantities of salt ought to be imported from Aden, Karachi and Okha tonnage would amount to 300,000 tons and it would call for tenders—would it get more favourable rates than manufacturers themselves getting freight and sending it here?

Mr. Marsh.—If we fixed a rate for A, we would not give B a better rate. We fix a conference rate for salt and we adhere to that rate.

President.—Whether you get 100,000 tons or 200,000 tons, the rate would be the same.

Mr. Marsh.—If we were contracting for a quantity say over a year of 200,000 tons, we would be disposed to give a better rate of freight than to the casual merchant. But to the casual merchant who might come and ask for freight for a parcel of 1,500 tons, we would not give a better rate. We would quote the same rate to all alike.

President.—What it comes to is this: that the big shipper would generally be able to get better rates than the smaller men.

Mr. Marsh.—Not necessarily as it is our practice to treat all shippers alike.

Mr. Mathias.—At present salt comes from Aden to Calcutta and the fact that the boats do not have to come in ballast, must affect the freights from Calcutta to Aden. Supposing the salt which is at present coming from Aden was in future partly obtained from Karachi, would that have any appreciable effect on the freights from Calcutta to Aden?

Mr. Marsh.—I think not, because freight rates from Aden would invariably be tramp tonnage rates and it is purely a question of what tramp tonnage is available for the salt trade.

Mr. Mathias.—Really the amount of tonnage of salt shipped from Aden is so small in comparison with the total tonnage coming into Calcutta that any alteration would make very little difference. Is that the position?

Mr. Marsh.—That is the position. A consistent rate from Okha and Karachi is possible whereas it is rather difficult to arrive at a consistent rate from Aden. Ordinarily the traffic would be lifted by liners from Okha whereas it would be tramp tonnage from Aden.

President.—I am talking of this contract for a year for 200,000 tons from a particular port or it may be two ports. Then, you would expect the orders to be given regularly or how would it work in practice?

Mr. Marsh.—We should like to hear what quantity of salt we would be required to lift per month.

President.—I see. Approximately you would be told that because they would know the production of the different works per month. Would that suffice for your purpose?

Mr. Marsh.—If we got notice say on the 15th of this month that shipment of 15,000 or 20,000 tons of salt was required during next month we would have sufficient time to arrange our tonnage accordingly.

President.—That would be about a month.

Mr. Marsh.—Yes. We would require to work our tonnage into position.

President.—A month's notice would suffice.

Mr. Marsh.—Presumably you would know ahead what quantity you would be shipping from Karachi. The longer the notice we have the better for us. We could regulate our steamers with a certain amount of confidence knowing that the cargo was ready at Karachi and Okha, and that the steamers would not be held up.

President.—You know the positions of your steamers more or less accurately and if you have not got them in position, you would be able to arrange for others.

Mr. Marsh.—Yes, provided reasonable notice is given.

President.—Supposing it was Karachi and Okha, would the ordinary tonnage that you have on that run be sufficient or would you have to get outside tonnage?

Mr. Marsh.—Provided the quantity shipped was consistent month by month, we could do it with our ordinary tonnage.

President.—Can you give me any idea of your tonnage from Calcutta to Karachi for a year?

Mr. Marsh.—We have regularly two steamers a month plying round the coast from Calcutta to Karachi.

President.—What is the total freight available? I want to know it because they might be picking up cargo on the way.

Mr. Marsh.—We have a considerable number of steamers lifting rice from Burma to the Malabar coast and Bombay which could work back with salt. There are also the regular steamers referred to above loading in Calcutta and finishing in Karachi.

President.—Your main cargo from Calcutta to Karachi is coal, I mean the principal cargo.

Mr. Marsh.—Coal and general cargo.

President.—But the bulk of it would be coal.

Mr. Marsh.—Not essentially the bulk of it. General cargo is carried freely to Bombay and Karachi.

President.—What is the tonnage of the steamers? About 4,000 tons?

Mr. Marsh.—They would average about 7,000 to 7,500 tons.

President.—That means about 15,000 tons each way.

Mr. Marsh.—Yes, 15,000 tons dead weight cargo.

President.—If you had to provide for this additional 200,000 tons, it would mean your having a bigger fleet.

Mr. Marsh.—The steamers finishing discharge of cargo in Bombay would proceed to Karachi to load salt if required.

President.—You will have really the returning steamers both from Bombay and Karachi for this traffic.

Mr. Marsh.—Yes. There would be no difficulty about adequate tonnage.

President.—I forgot to ask you one question. From Aden to Calcutta you said it would take 12 days.

Mr. Marsh.—It depends on the class of tramp steamer. On an average it would take 12 to 14 days.

President.—With a continuous voyage?

Mr. Marsh.—Yes, to Calcutta direct.

President.—From Aden to Bombay it would take 6 or 7 days.

Mr. Marsh.—I should say on an average 7 days.

President.—And from Karachi to Calcutta it would take 12 to 15 days.

Mr. Marsh.—Karachi to Calcutta direct, say, 12 days.

President.—Will you please go through this note on transport submitted to us by the Okha Salt Works and let us have your views on the various points raised therein?

Mr. Marsh.—Yes.

President.—Is there a conference as regards the coastal traffic as regards tramp traffic?

Mr. Marsh.—Not as regards tramp tonnage.

President.—If a man charters a steamer between Karachi and Calcutta and brings the salt to Calcutta, can he take coal from Calcutta to Karachi in that steamer?

Mr. Marsh.—A tramp can be employed in the coal traffic. Very many are so employed.

President.—Very many liners would not do it.

Mr. Marsh.—Do you want to know whether they would lift coal?

President.—There is some conference or understanding as regards that.

Mr. Marsh.—No. Tramp tonnage is very regularly used for the coal traffic.

President.—Is the freight open?

Mr. Marsh.—There is nothing to prevent the tramp tonnage. While we could offer you all the tonnage that you require, there is nothing to prevent tramp tonnage going on to the berth for salt.



Evidence of Mr. W. J. ALCOCK, M.I.Chem.E., A.I.Mech.E., Consulting and Chemical Engineer, recorded at Calcutta on Thursday, the 23rd January, 1930.

President.—Mr. Alcock, you are a Chemist?

Mr. Alcock.—I am a consulting Chemical Engineer.

President.—How many years experience have you?

Mr. Alcock.—30 years. I was trained in the profession under the late Professor Edmund, Ph.D., and in a Chemical College at Home. I first came here in 1913 in connection with salt and alkali. On war breaking out I was attached to the High Explosives Department of the War Office and have been practising since 1919 in Calcutta. As a Technical Consultant I was also associated with the Magadi Soda Company's Budge Budge works.

President.—In England did you have an actual experience of salt manufacture?

Mr. Alcock.—My father and uncle were salt manufacturers in Cheshire and I was associated with them. Then I had connection with the recovery of salt under the chemical process in Lancashire and Cheshire. I also did some work in the north of Ireland first of all making salt from brine in open pans and then by the vacuum process.

President.—That is the normal process now?

Mr. Alcock.—Yes, but there is still a great deal of the pan salt made. One thing is its low capital cost, the evaporation per pound of coal is good and once the brine is reasonably pure it is fairly cheap except that there is a rather high cost of labour.

President.—At what density do they get the brine?

Mr. Alcock.—About 26 per cent. The brine from the Cheshire salt pits is probably the highest concentrated in the world. The salt bed is up to 200′ deep; the brine is either pumped direct from the brine springs or from disused rock salt mines in which water has been let in or percolated. Thus in Cheshire the work is very much actually the same as in India.

President.—They have had that on a small scale at Khewra.

Mr. Alcock.—That is the pillar system. They pump out the brine. That presents no difficulty but large areas of country have subsided. I think they used to pay 6*d.* per 1,000 gallons pumped as compensation. I believe this is still operating. In Chesire manufacture of salt presents no great difficulty. In my early days there was no treatment of the brine made beyond setling out the clay. But under the modern methods you precipitate impurities. That obviates the trouble of the pan system. The trouble of the open pan system is what they call pan scale which chiefly consists of calcium sulphate.

President.—Calcium precipitates?

Mr. Alcock.—As sulphate.

President.—That is long before it reaches 25°?

Mr. Alcock.—It precipitates during the concentration of the brine and the scale comes off about $\frac{1}{16}$″ thick.

President.—That fouls the pans?

Mr. Alcock.—Yes. Between the pan bottom and the scale you may get hydrochloric acid formed and in the salt you get small traces of hydrochloric acid or from the magnesium probably and it attacks the pans. I think it was in 1906 that the first vacuum plant was put up in England.

President.—In America they had it long before?

Mr. Alcock.—Yes, but in England that was the first. They got permission to pump the brine from the Marbury area and they put up a large

plant there, with a capacity of about 650 tons a day. It has been very successful chiefly because they sell the electricity produced to the industrial areas.

Dr. Matthai.—You save coal by that process?

Mr. Alcock.—You halve the coal and you get a better quality of salt because you must first purify the brine.

Mr. Mathias.—Have you got any idea of the cost of producing salt by the vacuum process per ton?

Mr. Alcock.—I can give you the costs but the labour charges are difficult to get at. The biggest charge in my opinion would be capital cost and depreciation. The labour charges as I pointed out in my memorandum are very small indeed because the brine is pumped and then it is never touched. It is treated in large tanks and allowed to settle and the clear brine is pumped through the evaporators and then it falls out as salt from the evaporators and is taken by elevators or conveyers into the go-downs.

President.—Have you experience of the solar evaporation process?

Mr. Alcock.—Yes, I worked the process out too. We took salt out as a by-product from the soda liquors. The Magadhi deposits are the largest deposits of carbonate of soda and salt.

President.—Is it subterranean brine?

Mr. Alcock.—The Magadhi lake contains 200 million tons of soda with a mixture of brine and soda as mother liquor.

President.—How do you get the salt out? Not make use of only soda contents?

Mr. Alcock.—We were making caustic here. We brought the crude ash from Magadhi and dissolved it and converted the carbonate into hydrate. We had a large vacuum plant in which we separated the salt as crystals from the caustic liquor by evaporation. It was a large plant 6,000 square feet and as far as the separation of salt goes it was very successful.

President.—I am talking of solar evaporation from sea brine.

Mr. Alcock.—There is nobody as far as I know who has experience of this.

President.—They have these works on the North African Coast and Spain and also on the Mediterranean where they do it by solar evaporation.

Mr. Alcock.—It wouldn't present any great difficulty. We would have to carry the brine to a fairly concentrated solution by solar evaporation and then precipitate the magnesium or calcium salt as you do in the other process.

President.—That is the point. Take Indian conditions. You take the sea water; you have condensers: you can have three or four sets of condensers and in the condensers you can get up to the saturation point.

Mr. Alcock.—My suggestion will be to use open pans.

President.—Having got it you then pump it into the vacuum.

Mr. Alcock.—Then what they would do in the vacuum is probably to treat the saturated solution of the brine with lime water or soda ash and then use it as pure brine.

President.—Now, the whole point is that there has not been sufficient investigation as to whether it would be required to be treated in the same way.

Mr. Alcock.—You can see from the analysis of the sea water . . . .

President.—Would most of these salts precipitate?

Mr. Alcock.—Take the saturation point of these various salts. The saturation point of sodium chloride is 1·214; calcium chloride 1·412, magnesium

chloride 1·334, magnesium sulphate 1·288, so that all these up to 1·2 would remain in solution.

President.—Then you would remove them by treatment?

Mr. Alcock.—Yes, treat them with soda ash and some lime.

President.—Is that an expensive process?

Mr. Alcock.—In this probably you would electrolyse a small portion of your brine and use that as a purification agent; then taking out the calcium and magnesium salts after treatment the clear brine goes into the evaporators as brine.

President.—What I am asking you is this, that by combining the solar evaporation and either the vacuum or any other process which may be found desirable you can manufacture more or less the same class of salt as in Europe, can you not?

Mr. Alcock.—Certainly because the constituents of ocean and Cheshire brine are practically the same.

President.—You consider that ocean water, if it is evaporated and treated, would be the same as this brine more or less?

Mr. Alcock.—Yes. I see no reason why. As a matter of fact I should think the reasonable way to tackle this question would be for Government to put up a small plant—not necessarily a vacuum plant—and a small treatment plant which would not be a very difficult task. I presume this scheme would require a plant in the centre of a large salt area in which the concentrated brine from solar evaporation would be pumped.

President.—In some of the Madras works—really speaking there are a number of works . . . .

Mr. Alcock.—They would lend themselves to this.

President.—And therefore we must strike some new area of the same type, and there the idea would be to start new works. In order to make this from pure brine they may find it convenient to use this vacuum or any other mechanical process because you can get the brine all right, but after that there is the question of cost and so on.

Mr. Alcock.—There is the other side of it. There is no reason why the brine should not be treated as I suggest and then run back to bitumen lined pans and then evaporate by solar agency; then finish it off except that you have got the risk of dirt flowing in. You have always got that before you.

President.—In this case you eliminate any risk entirely?

Mr. Alcock.—Yes.

Dr. Matthai.—You can equally eliminate that by having special beds, can't you?

Mr. Alcock.—Probably in the manufacture you will have dirt coming in from outside areas if you get one of those storms. It must be one of the great troubles.

President.—That is the question. Then again, making of these artificial pans would also mean something and you have got to keep them under repairs, but the condensers and ordinary tanks and so on would not cost as much.

Mr. Alcock.—It is of interest to prove this by putting up a small vacuum plant in the centre of a large salt area and pump a certain number of gallons from any of the pans to this plant. The gallons can be decided and also the quantity of salt produced from it. The amount of steam consumed can be measured by meter. It need not be efficient to start with. You can say so many cwts. salt have consumed so much steam, the sufficiency of your boiler plant is so much and if we put a more efficient boiler plant you get so much.

President.—What do you think the smallest crystallising plant would cost?

Mr. Alcock.—You can do within Rs. 1,50,000.

President.—How much will it produce?

Mr. Alcock.—About 10 or 12 tons a day. It is quite possible that all the plant could be picked up secondhand and any technical defects in the structure of that plant can be remedied. I presume what you want is proof whether pure salt can be manufactured or not?

President.—Yes, and put in to this market. The question is whether not very far from Calcutta, say within 300 or 400 miles, this salt can be produced.

Mr. Alcock.—That is the Ganjam side.

President.—There is a small area of 150 miles between Puri and Naupada.

Mr. Alcock.—I think that is really the most feasible place to work it out. Chemically there is nothing against it as far as I can see. The working cost would have to be found as you went along.

President.—In a plant like that there won't be much manual labour required?

Mr. Alcock.—None. The only time when you will require manual labour would be when they are filling up the salt into bags.

President.—We haven't got the evaporation data.

Mr. Alcock.—You mean the atmospheric data.

President.—Really we haven't got it. Therefore the most important factor is missing. We haven't got any meteorological data as to the cloudy days and so on and the days on which you have storms and various other things, so that a lot of work should be done before anybody can decide.

Mr. Alcock.—Yes.

President.—We know this much that up to now at Naupada and Ganjam this salt can be and is manufactured.

Mr. Alcock.—You know the output of a given area.

Dr. Matthai.—If you combined solar evaporation with vacuum process at what density the brine would be handled in the vacuum plant?

Mr. Alcock.—Practically that would be saturated.

Dr. Matthai.—That would be how much?

Mr. Alcock.—1·2 specific gravity or 26°B.

Dr. Matthai.—What do you estimate the coal consumption there?

Mr. Alcock.—4½ cwts. by the vacuum process.

Dr. Matthai.—That is 4 to 5 tons of salt per ton of coal.

Mr. Alcock.—That really depends on the efficiency of the boiler. If you put up an experimental plant you would have to calculate the efficiency of the boiler. The modern plant may give you 80 per cent. thermal efficiency whereas the boiler of the experimental plant may give you only 50 per cent. thermal efficiency.

President.—We have got this much data now that in these places they manufacture salt from solar evaporation. In Naupada for instance salt is produced at about As. 2 per maund. Therefore to keep up the brine to the saturation point would be very much less.

Mr. Alcock.—Certainly. It would probably work out cheaper than the brine.

President.—Applying the same figures it may not come to more than As. 2 a maund. That is for the salt itself on the ground.

Mr. Alcock.—I am trying to read back into brine. The solar brine would work out cheaper at the pump head, because your capital charges, your rent, royalties, your surcharge for subsidence would be less.

President.—There is nothing here of that sort.

Mr. Alcock.—In pre-war days 1,000 gallons of brine used to cost 18*d.* Now it costs perhaps more. I can find that out for you. About 800 gallons of brine to a ton of salt.

President.—It comes to Re. 1 for a ton of salt if these figures are correct for the brine.

Mr. Alcock.—Yes with royalty and other charges they take 800 gallons.

President.—It is very difficult to estimate, because no separate costs are kept. Take the Okha salt works. The conditions at Okha are very favourable. The prime cost uncrushed is Rs. 1-4 per ton for the salt itself. Therefore the cost of the brine must be very much less.

Mr. Alcock.—I don't know how they arrived at that figure of Rs. 1-4? It seems to be very low.

President.—That is without calculating the overhead and depreciation, etc. In the former estimate they have given it at As. 12 for brine alone for one ton of salt, so that it is cheaper than Cheshire.

Mr. Alcock.—Yes. Now let us take coal. When I was associated with the Cheshire Salt industry, the price of coal was about 5 shillings a ton. To-day it is 20 shillings.

President.—According to this the brine won't come to more than As. 8 a ton of salt.

Mr. Alcock.—No. If we take the cost of coal here, at about Rs. 10 a ton it would be a little better than Cheshire. You start off a little better than Cheshire except for the impurities. Taking the impurities out, it would probably level it.

President.—You have got this disadvantage. You cannot manufacture all the year round, but there they can.

Mr. Alcock.—That is true.

President.—You have to have your plant about twice the size.

Mr. Alcock.—Yes. If these figures are correct, it would be reasonable.

President.—Labour here is very much cheaper when you have mechanical appliances. The labour question may not be a very serious one.

Mr. Alcock.—Supervision won't be much.

President.—We have gone into all those questions. In other industries that we enquired when you have mechanical appliances, labour charges are very much less in spite of the supervision being a little more expensive.

Mr. Alcock.—Quite.

President.—It is a matter of experimenting.

Mr. Alcock.—I think so. I had a talk with Mr. Lloyd. I have given some notes to the Government of India. I more or less suggested that if there was merely technical doubt, it must be gathered by experience.

President.—Can the brine be stored?

Mr. Alcock.—Yes, in tanks of brick and cement.

President.—It will require 4 times the quantity of saturated brine.

Mr. Alcock.—Yes. You can store the saturated brine. There is nothing against that. You must always keep water out.

President.—As a matter of fact they do store it. I have read about the Italian Works where they store the brine. That of course is a matter of cost.

Mr. Alcock.—Quite.

President.—Then the shortness of the season could be remedied to a certain extent.

Mr. Alcock.—Yes.

President.—Before the rains you could provide for one or two month's supply at least in that way.

Mr. Alcock.—But the establishment of a vacuum plant in an established salt area would certainly keep down the cost, would it not?

President.—As I was pointing out none of the works are big enough for that.

Mr. Alcock.—Not one works?

President.—That is the trouble. You have got to start a new work. In this area that I was referring to, the works have fallen into the hands of small licensees.

Mr. Alcock.—Quite.

President.—There is no chance of co-operation and therefore if this is to be done on a large scale, you will have to find a new locality altogether, and salt has to be manufactured there and we are limited by the railway freight and other considerations both on coal and on salt in any particular locality.

Mr. Alcock.—Tua Island would be an attractive site.

President.—For that reason it must be somewhere situated between Ganjam and Puri. I do not know whether any sites are available.

Mr. Alcock.—If you work on that principle, it would be reasonable. That is what my experience tells me. It is no use sinking more money.

President.—We have had these different classes of salt analysed. There are 20 different varieties. Supposing you are classifying salt there are three things, the chemical contents, the colour and the grain. This grain, I take it, really is a matter of mechanics in most cases.

Mr. Alcock.—The grain depends on the different rate of boiling. If you want salt for fish curing you boil it slow. If you want it for domestic purpose, you boil it fast.

President.—That stands apart. As regards the other salts which are ordinarily produced and crushed, they lend themselves I take it up to a certain point.

Mr. Alcock.—They can't give you the grain. Cheshire salt gives you different grains by different rates of evaporation.

President.—That I admit. But as regards the solar evaporation salt, wouldn't you have more or less a uniform grain?

Mr. Alcock.—You can grind it to fineness. That is a matter of arrangement to be made by the mills.

President.—What ingredient in the salt would prevent this grinding?

Mr. Alcock.—Magnesium and calcium chlorides, because they are deliquescent.

President.—I take it magnesium chloride would be the principal thing.

Mr. Alcock.—Magnesium chloride is really more hygroscopic than calcium chloride.

President.—Unless you eliminate magnesium chloride, you cannot grind freely.

Mr. Alcock.—Yes.

President.—By using more care, you can reduce the magnesium chloride.

Mr. Alcock.—That is a matter of concentration of the pans. The figures I have given you show the saturated solution.

President.—I take it that most of the sea brine would contain magnesium chloride or is there any difference?

Mr. Alcock.—It depends on the ocean and rainfall and surrounding strata and rivers.

President.—We have got no data on that point.

Mr. Alcock.—I have figures only for one ocean and they show ·33 of magnesium chloride and ·22 of magnesium sulphate.

President.—That will have reference only to the pans.

Mr. Alcock.—Yes, besides specific gravity.

President.—That would depend on when you scrape the salt.

Mr. Alcock.—It is only a question of concentration, lifting and grinding.

Dr. Matthai.—Magnesium chloride is drained away as mother liquor.

Mr. Alcock.—Yes.

Dr. Matthai.—If you have percolation and some of the mother liquor is absorbed in the soil, to that extent the magnesium chloride can be deposited in the beds.

Mr. Alcock.—Yes.

President.—We are trying to see how an average standard may be fixed. Would you take as the main standard sodium chloride and the colour?

Mr. Alcock.—In Cheshire we never analyse sodium chloride.

President.—What do you do?

Mr. Alcock.—Cheshire always works on refraction of calcium and sodium sulphate.

President.—Are there any standards prescribed as to how much you could have of each of these good quality of salt?

Mr. Alcock.—I can't give you any definite standard, but the calcium sulphate was limited round about to 1·2 per cent.

President.—If we took the Cheshire salt, and if we took the analysis we can prescribe that as probably the best.

Mr. Alcock.—I think you might take that as a standard for marketing purposes.

President.—And getting the second grade after that you would also go by the contents of these other salts.

Mr. Alcock.—By refraction and by the colour. I think for marketing purposes the colour is the most vital point.

President.—We have got the colour tests also. Speaking generally in the better quality salts the blue is absent. There are three colours, red, blue and yellow.

Mr. Alcock.—They sometimes put in a small quantity sulphate of alumina for crystallisation.

President.—On these analyses that we have got, Hamburg fine is the whitest. There is no blue and yellow is 0·1 which is better than Cheshire, but it is so small that you can hardly tell by the nakedeye.

Mr. Alcock.—The difference is small.

President.—Do you consider this tintometre colour test as fairly reliable?

Mr. Alcock.—Yes.

President.—We must go by the chemical test to start with.

Mr. Alcock.—Yes.

President.—Then, we must prescribe the colour.

Mr. Alcock.—Yes.

President.—And as regards fineness?

Mr. Alcock.—That really is what each market wants. The question is for what purpose it is wanted.

President.—We don't want that fineness (sample shown) so long as we get an average degree of fineness. Any way, the mill can be adapted to that.

Mr. Alcock.—Quite right. Would you prescribe a standard without relation to what is being consumed in the market?

President.—It must come to that. Really speaking there is no difference between the different classes of salt. The trader tries to make out that there is some difference which the consumer does not notice and for which he does not care a scrap. Really there is no point in keeping up the difference. For instance, if you take the Cheshire salt and the inferior

salt, there is a difference from more points of view than one. That I can understand.

Mr. Alcock.—Quite.

President.—When they say that there is some difference between the Spanish and Mussowah salts, I don't follow at all. The difference is so slight that really speaking it is not worth the trouble of differentiating.

Mr. Alcock.—No. I know that it can be overcome. I have been connected with the trade as a chemist for some years and I have had some difficulty.

President.—What is it?

Mr. Alcock.—Glauber's salt is made in fairly large crystals, as you know.

President.—Yes.

Mr. Alcock.—Years ago it took about 14 to 20 days to crystalise. We discovered that by blowing in cold air we could get it in 24 hours, but they would not take the fine crystals produced.

President.—That is true. If you have two things, that question may come up. If you have got only one thing in the market, it has to be taken. Do you really think that for all practical purposes there is any difference between the ordinary Hamburg salt, the Spanish salt and the rest of it?

Mr. Alcock.—I don't think so.

President.—Neither from the point of view of analysis nor from any other point of view, is there any difference? It is the trader who makes out the difference and gets the money for it which he does not deserve very often.

Mr. Alcock.—Quite.

President.—You think that these tests can be prescribed and enforced with a little bit of care.

Mr. Alcock.—It would take some time to get that done.

President.—The point will arise not as regards the consumer but in purchasing the salt. That is where the tests are required. When you are going to purchase the salt, you have to specify the quality. Do you think that if you followed the chemical analysis, colour test and the mesh test, the results might be fairly accurate?

Mr. Alcock.—Yes, but it would take time. You have to make a start.

President.—Of course, the question of grains might cause some difficulty because they might have to alter the mills to some extent.

Mr. Alcock.—Yes. The grinding of salt is a perfectly simple operation.

THE EAST INDIAN RAILWAY.

Evidence of Mr. J. C. ROSE, Rates and Development Manager, E. I. Railway, recorded at Calcutta on Wednesday, 22nd January, 1930.

President.—I am sorry, Mr. Rose, that I was not able to explain to you sufficiently clearly what we exactly wanted. Now you have given that in your Statement B. I may tell you that we did not contemplate any reduction in fares from Calcutta westward at all.

Rose.—I simply mentioned that to support Statement B.

President.—I wanted to tell you that my intention was not to interfere with your present rates unless they came into conflict with our proposals and if I had explained that to you, that would have saved a lot of trouble to you because Statement A that you gave was based on misconceptions. It must have caused you a lot of trouble.

Mr. Rose.—The only difficulty here is with the B. & N. W. Railway. Their flow of empties probably does not occur from the direction of Khewra. If you bring down salt from Khewra to replace the quantities moving from Calcutta they will have to send up empty wagons all the way from Mokameh to Barabanki.

President.—Part of Bihar is not accessible except through their system and in that part some arrangement will have to be made or we will have to leave out that part of the market.

Mr. Rose.—Perhaps you will have to leave that market to Calcutta supplies and work the entire 100,000 tons to other areas.

Dr. Matthai.—What part of Bihar is served by the B. & N. W. Railway?

Mr. Rose.—East of the Ganges, that is to say east of Patna. It is a big area and they get nearly 100,000 tons from Calcutta at the moment.

Mr. Mathias.—These station to station rates, is there any limit to the reduction you can introduce?

Mr. Rose.—·10 pies per maund per mile is the Government minimum for salt.

Mr. Mathias.—From Khewra to Calcutta?

Mr. Rose.—I have showed the minimum charge in this statement; in the case of Calcutta we cannot complete.

Mr. Mathias.—What is Calcutta's minimum?

Mr. Rose.—Eleven annas per maund. To within 80 miles of Calcutta you cannot compete at the minimum rate.

Mr. Mathias.—The coal rate from Khewra to Calcutta would be only about 8 annas. This rate for coal is below the minimum of ·10 pie per maund per mile, is it not?

Mr. Rose.—Undoubtedly.

Mr. Mathias.—What I was thinking was that if you had a number of wagons going up there from the coalfields with coal it might pay you to carry salt at even this 8 annas rate.

Mr. Rose.—It will infringe the principle of the minimum.

Mr. Mathias.—Your principle being what the traffic can bear, there is a dissimilarity between coal and salt.

Mr. Rose.—Coal can be obtained only from a few confined sources of production and it has to move on the whole a very much greater distance than a commodity like salt ordinarily moves. You have also many more

sources of supply of salt in regard to the same areas of consumption as coal and therefore from the point of view of length of lead salt would have a very big advantage.

Mr. Mathias.—In regard to crushed white salt the areas are almost as limited as coal.

Mr. Rose.—Yes. Therefore the main trouble is the principle of the minimum basis of charge. That is why I have shown there minima rates. You will notice that up to a distance of 80 miles from Calcutta you can reduce the rates effectively.

Mr. Mathias.—Taking the proposition simply from the revenue point of view it might pay if all these rates came down.

Mr. Rose.—You have the coalfields where we have got empties going up from Calcutta. Up to about 200 miles we prefer the traffic moving upwards and downwards only as far as the coalfields.

President.—Your present rate is—

Mr. Rose.—A combination of the N. W. and E. I. scales.

President.—That begins at ·38 for the first 100 miles and ·22 for the next 200 miles. That is your present rate?

Mr. Rose.—For the first 75 miles ·38 and then it drops to ·20 up to 300 and above 300 miles ·10.

President.—That is your new revised rate?

Mr. Rose.—That is the C. M. Schedule and the C. B. Scale operates up to about 98 miles at ·333. That is how we combine the C. B. and C. M.

President.—Last time you gave me the grain rate that is the C. B. C. M.—·38 for the first 70 miles, ·20 up to 300 and above 300 miles ·10. That is the rate, is it not?

Mr. Rose.—Yes. It must be understood that the C. B. ·333 is a separate scale and as far as that operates the cheaper it supersedes the C. M. That is the effect of the C. B. C. M. combination.

President.—Because in the C. M. combination it will start from ·38 for the first 100 miles and then ·20 above 75 miles.

Mr. Rose.—After a certain distance above 75 miles we find that the C. B. scale rate becomes equal to the C. M.

President.—You gave me to understand at that time that if you did not give a through rate it would come to Rs. 1-3-9 per maund on the whole to Calcutta.

Mr. Rose.—That is the existing rate, *viz.*, at the C. B. C. M. Schedule over our line and the C. L. Schedule over the North Western Railway.

President.—If you gave a through telescopic rate it would come to 15 annas 4 pies per maund.

Mr. Rose.—That is the C. B. C. M. Schedule applied right through including terminals.

President.—That was the footing on which you worked out your statement A?

Mr. Rose.—That is so.

President.—First of all let us deal with the question of through rates. Both systems belong to Government so that really there is no objection in principle to a through rate, one owner owning both the sections.

Mr. Rose.—We have got many through rates. We don't look at it from the point of view that is generally advanced that the principle of continuous mileage must be adopted. We look at it from the point of view of what is necessary commercially in the shape of a reduction and whether it is in effect worked out on the continuous mileage pinciple or arrived simply by quoting a lump sum we don't mind.

President.—I am now talking of the principle. Station to station rate is a troublesome business from the business point of view. They have got

to come to you and bargain with you; then you have got to be convinced that it would be to your own interest and the interest of the applicant.

Mr. Rose.—That happens with any reduced rate you are fixing.

President.—Yes. But once you accept the principle of continuous mileage the man knows what his fate is going to be. Supposing a man is projecting a scheme he has got to approach the different railways and ask them to agree to special rates, but if he knows what the continuous rates are then he can calculate how his business can thrive and so on. Now he does not know.

Mr. Rose.—He does know because he gets the calculated rates.

President.—How can you justify one owner having two sections treating them as if they were separate for all purposes?

Mr. Rose.—Simply because they have been built up as separate organisations.

President.—But now that the organisations are one you have got to recast the whole of your tariffs.

Mr. Rose.—But if you merely recast part of the tariff it will disturb the whole structure.

President.—There is no reason why you should not recast the tariffs. India is a country of long distances and if industries are to be encouraged that factor has to be recognised and it is not recognised when you don't have this continuous mileage system.

Mr. Rose.—Wherever reduced rates became necessary they would be adjusted to meet the situation.

President.—That is to say without insisting upon this continuous mileage?

Mr. Rose.—Yes. That I have illustrated in the second statement.

President.—I know you have. I want to know what the reason is for not having the continuous mileage rate between the two sections.

Mr. Rose.—We have built up the rating structure on a policy of separate organisations and you can't very well depart from that unless you are prepared to revise the whole rating structure.

President.—Complications arose when you had these private companies; then Government had some excuse.

Mr. Rose.—You have still got the company element.

President.—Government may not have any direct control over the private railway companies as they have over the Government managed railways, but if the largest owner of railways introduces this continuous mileage system I don't see how the private railways can keep themselves out. Take the whole of India excluding the Madras Presidency. You have got a continuous State system so that the only railways which would stand out are the Bengal Nagpur and the two South Indian Railways.

Mr. Rose.—Yes.

President.—There is also the G. I. P. Railway right up to Raichur.

Mr. Rose.—But even with the State Railways if you had to adopt a policy of wholesale recasting on the continuous mileage principle it would mean an enormous loss of revenue.

President.—But it is time this question was taken up.

Mr. Rose.—I suppose it is bound to come. They are already talking of the revision of the Railway Act. It will come as a part of that eventually.

President.—It will mean this that all your accounting will change very much and it may, mean regrouping of railways.

Mr. Rose.—Yes.

President.—But so far as the industries are concerned they have a legitimate grievance.

Mr. Rose.—I don't think so. On the face value yes but in actual effect I think that in the majority of cases whenever an industry has pointed out to us the adverse effect of a re-calculation of rates at junctions we have helped them with lump sum rates.

President.—We have yet to see how far you are going to meet the case of salt.

Mr. Rose.—If you adopt the rates in Statement B you don't affect the continuous mileage principle.

President.—But you are still within the minimum rates and there is no question of any fresh orders from the Railway Board.

Mr. Rose.—No.

President.—And it may be left to the railway companies themselves subject to such general orders as are necessary.

Mr. Rose.—As far as I have been able to test it, it would appear to be a commercial proposition.

President.—Your suggestion is this: if we were to insist on a reduction of freights, from your point of view it would be advisable not to raise this continuous mileage issue because you can meet the requirements of the case by quoting station to station rates.

Mr. Rose.—Yes and better in fact because you will not be reducing it wholesale whereas in the other case you will be doing that and prejudicing this railway seriously from the point of view of other sources of supply, who would then insist on the same terms.

President.—Let us now examine this Statement B. This column 16 is very interesting. There I think you have taken your actual maundage just now to start with?

Mr. Rose.—I am afraid I have not given very up to date figures, but these were the only statistics available.

President.—But it is good enough for the principle, is it not?

Mr. Rose.—Yes in respect of the maundage moving from Calcutta.

President.—And in place of that you have substituted this maundage on Khewra salt; is that right?

Mr. Rose.—Yes.

President.—You have some traffic in Khewra salt at present?

Mr. Rose.—Yes; we have a little and I have shown the loss we would suffer on that.

President.—And you have also shown the loss you will suffer on the Calcutta traffic.

Mr. Rose.—Yes.

President.—This table applies to the whole section from Khewra to Calcutta?

Mr. Rose.—No. It only applies up to a point about 100 miles from Calcutta and is confined to the areas receiving supplies from Calcutta.

President.—Kutwa is very near Calcutta, is it not?

Mr. Rose.—Yes. It is about 90 miles from Calcutta.

President.—It is really on the borders of Calcutta.

Mr. Rose.—Yes. Moreover at Kutwa you have riverine competition, that is why our rates are down at the moment.

President.—I see that for long distances the freight is smaller in one or two cases.

Mr. Rose.—Yes.

President.—That is due to competition with river rate?

Mr. Rose.—Yes. Patna is a very good example.

President.—What it comes to is this: Statement B which you have prepared shows that you and the North Western Railway will get entirely new traffic.

Mr. Rose.—Yes, to a certain extent.

President.—The result that you have shown is the net increase that you get on your traffic.

Mr. Rose.—Approximately.

President.—It may be regarded as an approximate net return.

Mr. Rose.—Yes.

President.—So that it is a commercial proposition from the Company's point of view.

Mr. Rose.—As far as I can see it is. I have also pointed out in my note that there are certain ways in which we would have to be protected.

President.—I am coming to that. First let us see what you have got for us, and then we will see how we can meet you.

Dr. Matthai.—The total amount of traffic which you have noted in this Statement B would be about 100,000 tons.

Mr. Rose.—I am not quite certain. It would be about 21 lakhs of maunds. That is not quite near enough for your purposes.

President.—These are 1922-23 figures.

Mr. Rose.—Yes.

President.—There might be some increase.

Mr. Rose.—Yes, I am trying to get you more up to date figures.

President.—This will do for our purposes. We have troubled you enough already. If it is easy you can get them, but not otherwise, because this will serve our purpose. It is only an argument that we are going to put forward.

Mr. Rose.—I think generally speaking the 1922-23 figures are a good indication of the current volume of traffic.

President.—We should be prepared to accept your opinion on this point. If this was done, it is a commercial proposition and it is of interest to the railways.

Mr. Rose.—Yes.

President.—And the rates being above the minimum rate.

Mr. Rose.—Except where we equalise in certain cases with the minimum.

President.—On the whole it is above the average. We can calculate it roughly. You have got Rs. 9 lakhs.

Mr. Rose.—Nearly Rs. 10 lakhs.

President.—That divided by 90 lakhs gives you Rs. 10 a ton on an average.

Mr. Rose.—It would be a little more than that, I should imagine.

President.—The average earnings of railways on short distance traffic is now about Rs. 13 or Rs. 14 a ton and this is not really very far short of the average. Supposing I am interested in this and I am prepared to offer you this traffic, would you be able to accept it on these terms?

Mr. Rose.—Not as a matter of course, and you would have to give me certain safeguards.

President.—Subject to this.

Mr. Rose.—Yes.

President.—It is a commercial proposition.

Mr. Rose.—Yes.

Dr. Matthai.—The proposition being that if you had traffic from Khewra over your line of about 100,000 tons then from the point of view of the railways, it would result in a net increase in earnings to their advantage.

Mr. Rose.—Yes.

Dr. Matthai.—You would be prepared to provide facilities for that

Mr. Rose.—I think facilities already do exist in the shape of returning empties.

President.—I was told yesterday and I was rather surprised that more empties would be running from the Calcutta direction.

Mr. Rose.—Naturally you would have a certain increase of such empty running.

President.—For export traffic.

Mr. Rose.—The wagons that would be moving up free of loads on account of the salt that would be displaced. But that would only be for a short lead. Those empties returning from Calcutta are stopped at the coalfields, whereas the empties returning from Northern India come down long leads and it would be merely a question of filling the latter with salt.

President.—You have fairly big movements of coal upcountry.

Mr. Rose.—Yes, in fact in both directions.

President.—The grain stuff goes to Karachi.

Mr. Rose.—We also take a fairly good quantity of grain. I think we can carry just as much as the North Western.

President.—What would be the position of the North Western about coal wagons?

Mr. Rose.—They have got to return pretty nearly as many empties as these we give them which are loaded with coal. It would suit us well.

President.—Now as regards your safeguards: this will come in only if certain other proposals that we may make are accepted; that is to say it will be a controlled business.

Mr. Rose.—Yes.

President.—Except as regards Bombay and Madras, no question can arise and I may tell you as regards Bombay and Madras at present there is not a chance that we could see of their producing quantities on which they can claim the concession as these people can. I am asking you whether if you gave a concession you could not make a condition such as this on so many thousand tons or on so many ton miles these rates would apply.

Mr. Rose.—That would be a very complicated arrangement and objectionable from the railway point of view.

President.—The idea of starting a new industrial system is that manufacture on a large scale ought to be encouraged. The former policy of the railways was not to encourage large scale production, but to take advantage of the shorter leads. We want to encourage large scale units and therefore it might be appropriate for the Railway Administration to say that if anybody guarantees them the minimum of traffic, he can have the same rates. Take the case of the Tata Iron and Steel Company. The Bengal Nagpur Railway have got the minimum clause, but they have exceeded it many times. Supposing you fix a figure, say 50,000 tons multiplied by the number of miles, it is unlikely that you would be embarrassed by any complications. Would it be possible under the railway law? There is no undue preference.

Mr. Rose.—We are not very keen on the rebate principle.

President.—This is not a rebate at all. Take the case of the Steel Company's contract. They say 'if you guarantee us such and such a mileage and such and such a tonnage we will give you such and such a rate on such and such a product which moves from one place to another.

Mr. Rose.—That has to be determined after the traffic has moved.

President.—No, not at all. We will give you this provided you give so much traffic. What happens is this: you serve two purposes. If the organisation wants to take advantage of your reduced rates, it cannot think of any alternative mode of transport. It has got to do it, because it has got to give you this tonnage.

Mr. Rose.—We determine that after the traffic has moved and then give him what amounts to a concession or rebate on what he has paid.

President.—It is a much simpler proposition. Supposing you fix this limit of 50,000.

Mr. Rose.—The trouble is if we give it to salt, we would have to extend it to every other industry.

President.—Supposing they gave you new traffic?

Mr. Rose.—We would meet them suitably if it was a commercial proposition.

President.—If it is not a commercial proposition on the face of it you are not bound to do it.

Mr. Rose.—If it is a commercial proposition we would fix lump sum rate for wagon loads. We usually quote rates applicable to wagon loads and that is the way we encourage the bigger despatches.

President.—Our idea is this: no new sources of production would be started in any part which is now served by Khewra. Take Bombay or Madras for instance. The Great Indian Peninsula Railway and the Bengal Nagpur Railway gave a reduction. Supposing they gave a reduction? Whether you gave these reduced rates or not, they would give it. So I don't see why you should want any special provision being made about it so long as this organisation does not encourage the import of salt from other sources. Supposing these were to compete? Even to-day they could do so.

Mr. Rose.—I am not worried about that. I am worried about the other sources of supply, the existing ones at Kharaghoda, Sambhar and Pachbadra.

President.—All the sources Karachi, Okha, Kharaghoda, Sambhar and Khewra would be under one control and there would be no more sources opened without the permission of this organisation.

Mr. Rose.—Supposing all the existing organisations said to us "You have reduced for Khewra".

President.—They cannot. There would be one organisation.

Mr. Rose.—That would be a safeguard if we would be getting this additional traffic from Khewra on the understanding that it is only for that additional traffic that we would quote these rates.

President.—Within that area supplied by these sources, no other sources would be opened. That is the point. As regards Bombay and Madras for instance we cannot say anything, because there are not the same conditions for controlling, but as I was telling you just now independently of any arrangement that you may make, supposing the Great Indian Peninsula Railway and the Bengal Nagpur Railway or the Madras and Southern Mahratta Railway and the Bengal Nagpur Railway were to compete against this very organisation which is giving you this traffic? Those conditions may arise, but it is very unlikely that they will. You are perfectly safe so far as this area is concerned.

Dr. Matthai.—The question is that you want to be assured of 100,000 tons.

Mr. Rose.—Not quite that. The point is that we are not to be forced to give similar concessions in freight to these that we will give to Khewra. For instance if you have imported salt in the form of indigenous salt manufactured at Karachi and Okha coming into Calcutta they are quite entitled to demand from us the same freight facilities that we give to Khewra.

Dr. Matthai.—You want to be assured of 100,000 tons from Khewra and at the same time you want to be assured that these rates would not be extended to traffic coming from other sources.

Mr. Rose.—Yes.

President.—We are contemplating one single organisation which controls the imports.

Mr. Rose.—That would imply a monopoly and they would as monopolists decide where they would take this traffic from and that would be a safeguard to the railways.

President.—Supposing they want to tap another source they can only do that in consultation with the railways.

Mr. Rose.—Quite.

President.—That is your safeguard, but as regards the area excluded out of this organisation, we cannot say anything. If it is to arise it may arise whether there is this organisation or not.

Mr. Rose.—That would be looked at from the broad commercial point of view. I quite realise that.

President.—Those railways who are left out of this arrangement might encourage other sources which are not under the control of this single organisation. In that case we can't give you any guarantee, nor would you benefit by that, because we cannot enforce that.

Mr. Rose.—It would probably be unnecessary, but at the moment it is only in regard to the existing sources of supply that the point arises.

President.—As regards these sources we are contemplating that they should be under one single organisation both for transport and for marketing.

Mr. Rose.—That would probably meet our requirements, but what about river competition.

President.—What can we do about that? If you reduce your freights as you would be doing in this case the river competition might be less. Supposing you didn't make any reduction and if they wanted to compete against you?

Mr. Rose.—At the moment they know that they have to make a fight for an extra quantity of traffic against the railways. In future it is a question of the railways changing over from imported salt to indigenous salt brought from Northern India. Then it might pay the river services to work with the importer and reduce rates.

President.—That won't arise under this scheme of ours because the imports are also controlled. What may arise is this. With these steamship companies you may have to compete. They may say 'we will provide cheaper freights than the railways'. That question may arise now or at any time. It is for that reason that I was suggesting that there should be some guarantee as regards tonnage.

Dr. Matthai.—Why should this question of competition arise hereafter when it has not arisen so far?

Mr. Rose.—At the moment they have not got this tonnage that you are going to displace floating about.

Dr. Matthai.—There is this quantity of 100,000 tons of imported salt that you take from Calcutta to those centres and charge ·38 pies. It is worth while for the river companies now to undercut you on that.

Mr. Rose.—Because they appreciate the fact that it is not solely the question of freight that decides the issue. There is also the question of transit and other facilities provided by the railways. Probably in the long run they would at the moment lose more by the freight reduction than they stand to gain. But if there is to be a big quantity of salt made available in the shape of displaced tonnage, they might make a bid for it. The importers may combine with them.

President.—There is no question of importers combining with them. What may happen is this. They may approach this marketing organization and say "We will give you lower rates than the railways" and then the question may arise. But such a question may arise at any time.

Mr. Rose.—Yes, it is quite possible.

President.—Can they go very much below the rates quoted by you without losing?

Mr. Rose.—Not at the moment, but if it is a question of displacing the tonnage and supplying from another source, it may change the whole outlook. We cannot say definitely how far it will affect us.

President.—We cannot say what the resources of these companies are and what they may do. That is a factor which has always existed and which will. Whenever any new source is tapped, that question may arise.

Mr. Rose.—We cannot say precisely that the competition will be more acute than it is now.

President.—Probably you would have to lower your rates.

Mr. Rose.—Yes, we may have to reduce the rates still further, and then probably we will not get the nett return estimated so far.

President.—Of course, no one can foretell.

Mr. Rose.—No.

President.—So far as the river competition is concerned, we cannot devise any scheme which will protect you.

Mr. Rose.—I see your point.

President.—The railways must take their chance.

Mr. Rose.—They would have to face the issue when it does arise.

President.—It is not an issue which we can meet.

Mr. Rose.—It is very difficult for us to give any indication of probable disadvantages from that source. We only mention it in case you can take it into account.

President.—As regards the other features I think that the railways may take it that we will go into them.

Mr. Rose.—That is it will be a monopoly distribution scheme.

President.—Yes, the idea is this: that one single organization will select its own sources. When it has made up its mind that Khewra is one of the sources, then this question will come in.

Mr. Rose.—Yes.

President.—Having decided that, it is not likely that it will get the salt from another source for this particular area. First of all, it has got to make up its mind.

Mr. Rose.—It cannot go on chipping and changing.

President.—No; so, would not that meet your case?

Mr. Rose.—Broadly speaking, it will.

President.—We are not speaking of the reduction of freight unless the business is better organised because the idea is to stabilise prices.

Mr. Rose.—Yes.

President.—If there is going to be the frequent chipping and changing of freights, it destroys the main principle of this scheme.

Mr. Rose.—That would not suit our rating.

President.—Nor would it suit the organisation because the main idea is that the prices should be stabilised. They have to be guaranteed a fixed freight which may have an advantage over the sea freight. They do not know what the sea freights are going to be.

Mr. Rose.—Quite.

President.—How long does it take for the goods to come from Khewra to these parts normally speaking?

Mr. Rose.—Ten to fourteen days.

President.—We have not examined the North Western Railway. What is the share of the North Western Railway?

Mr. Rose.—I have not been able to give that in Statement B because it is a question of mutual arrangement. If a through rate is decided we would divide the rate in rates of the existing proportions.

President.—Your lead is longer.

Mr. Rose.—Yes, so, that would also count against us in division.

President.—So far as the owner of the railways is concerned?

Mr. Rose.—You mean the State?

President.—Yes. It is additional traffic.

Mr. Rose.—Yes, so far as the North Western Railway is concerned, it is an additional traffic of 100,000 tons.

President.—That is it is entirely new.

Mr. Rose.—Yes.

President.—Can you give me your total figures of all salt? I have got the figures for all India? What is the average earning of your railway per ton?

Mr. Rose.—On salt?

President.—Yes.

Mr. Rose.—I could send these details along.

President.—That is simply to show that this would more or less correspond to that.

Mr. Rose.—I think that the average here would probably work out greater.

President.—Greater?

Mr. Rose.—I think so.

President.—Because the leads are longer?

Mr. Rose.—The leads are longer. The average per ton per mile might work out lower here, but the average per ton on account of the longer leads would work out higher.

President.—This would work out higher.

Mr. Rose.—Yes, because the others are reduced rates, but I will illustrate that.

President.—Statement C, I do not understand. This is your estimate of the Bengal and North Western Railway.

Mr. Rose.—Yes, showing certain possible receiving points on their line. We do not know where their traffic goes to from Calcutta at the moment.

President.—It first passes through your line.

Mr. Rose.—Yes, *viâ* Mokameh Ghat.

President.—You have not taken that into account.

Mr. Rose.—The reason is that I cannot get the details about the receiving points and their quantities. I do not know that because our statistics do not show them. The probabilities are that it would not pay them so well to get the traffic moving from the Khewra side as it does from Calcutta because most of their empties are moving up from Mokameh Ghat. Their wagons come down loaded to Mokameh Ghat and after their contents have been handed over to us they move upwards again. So, it might pay them better in the long run to continue to take this traffic from Calcutta instead of making a bid for a similar quantity of traffic from Khewra. As regards that, however, I cannot say anything definite. The B. & N. W. Railway would have to be consulted.

President.—The position would be this that Khewra salt would be sent by rail direct from Khewra to those parts.

Mr. Rose.—Of course they get a certain amount of Khewra salt now.

President.—In those markets no salt might go from Calcutta. They may lose this traffic entirely.

Mr. Rose.—You mean from Calcutta?

President.—Yes.

Mr. Rose.—And get it replaced by Khewra.

President.—Yes.

Mr. Rose.—Without a freight adjustment?

President.—We do not know. It would be a matter for negotiation. They must bring themselves into line with the North Western and the East Indian Railways, if they want any traffic.

Mr. Rose.—I say that they may not desire this traffic. It may not pay them as it may pay us.

President.—Their more direct traffic is from Khewra.

Mr. Rose.—They get a very big quantity from Calcutta. I gave that in my original statement.

President.—Here you have given me 62 lakhs of maunds.

Mr. Rose.—They get about 18 lakhs of maunds.

President.—To Mokameh Ghat?

Mr. Rose.—To *viâ* Mokameh Ghat. They also get a little *viâ* Bhagalpur. They may get in all about 18 lakhs of maunds. This is equivalent about 70,000 tons which is a fair quantity of traffic.

President.—Where do you meet that railway?

Mr. Rose.—At Mokameh Ghat.

President.—Supposing it was brought on your railway from Khewra?

Mr. Rose.—Then at Bara Banki.

President.—First of all you have the North Western Railway.

Mr. Rose.—That is about 380 miles. From *viâ* Saharanpur to *viâ* Bara Banki it is 340 miles.

President.—So far as that is concerned, the distance would be equally divided.

Mr. Rose.—Yes. Thereafter the Bengal North Western Railway comes in. There the trouble is that their flow of empties will not coincide with this traffic. There would therefore be some doubt as to whether it would suit them to come in as it would suit the State Lines.

President.—If that is not done, or cannot be done, they could exclude that and leave it to Calcutta.

Mr. Rose.—Yes, that is how it strikes me.

President.—They can do it in another way. There I do not know how you might be affected. Supposing they decided to supply this market from Sambhar, then you would lose the market.

Mr. Rose.—We would lose it entirely.

President.—Supposing they decide to take it from Sambhar, where do you meet the meter gauge?

Mr. Rose.—We don't come in there. The Bombay, Baroda and Central India Railway and the Bengal North Western Railway will get that traffic.

President.—Supposing we had to bring it to Calcutta and send it eastward?

Mr. Rose.—We can take it at Agra and at Cawnpore.

President.—Which would be the nearest place?

Mr. Rose.—Agra.

President.—There you get a lead of about 700 miles.

Mr. Rose.—Yes.

President.—And the Bombay, Baroda and Central India Railway will get about 200 miles.

Mr. Rose.—Yes. We have not tested that at all.

President.—No. There of course on the present freights there would be a reduction of about 2 or 3 annas, the mileage being less, supposing you applied the same principle.

Mr. Rose.—I could not say off-hand.

President.—The distance *viâ* Agra is about 900 miles and the other is 1,300 miles.

Mr. Rose.—Yes. Are you adjusting it on the competitive basis?

President.—Supposing there is a railborne salt, what would happen is this. For stations east of Calcutta, they depend on the seaborne salt.

Mr. Rose.—Yes.

President.—Supposing they wanted to substitute the railborne salt from Sambhar, that part would be the nearest.

Mr. Rose.—It would be the nearest to the consuming areas.

President.—It could only be done if the Sambhar salt were landed in Calcutta for eastward traffic at about the same price as the imported salt.

Mr. Rose.—That would probably be feasible if we reduced it down to a minimum but how that would work we cannot say.

President.—That is the only way in which it can be done.

Mr. Rose.—Yes.

President.—So far as you are concerned, that would be entirely new traffic.

Mr. Rose.—No, it would be displacing the traffic from Calcutta.

President.—No.

Mr. Rose.—You mean the other traffic that does not come to us. You mean the Eastern Bengal areas?

President.—Yes. What would happen is that you would get entirely new traffic up to Calcutta. The imported salt that now comes would be displaced by this salt in Calcutta and it would follow the same route as the foreign salt is doing now. That could only be done if the minimum rates were allowed both by the Bombay, Baroda and Central India and yourself.

Mr. Rose.—I think so, but I have not tested that.

President.—These proposed station to station rate what does it work out at per year?

Mr. Rose.—I have not tested that: they vary. I will test the position and let you know. I will give you from point so and so to so and so.

President.—That will give us some idea of the basis.

Mr. Rose.—Yes.

President.—Because we would like to be able to say that we can see from the figures that it is above the minimum rate. Except in places where you have two classes it is above the minimum rate but we would like to know how much above the minimum it does go.

Mr. Rose.—I will work that out and send you a statement.

President.—It would be very useful to us in making our calculations when we propose a flat rate to show that this is what it can bear.

Mr. Rose.—Yes.

President.—How does your line intersect the Bengal Nagpur Railway in the Bengal market?

Mr. Rose.—It is quite a distinct feature there I think.

President.—You have got this new line that connects Asansol with Kharagpur.

Mr. Rose.—That is Bengal Nagpur Railway.

President.—But where is your point of contact?

Mr. Rose.—Asansol, and Gomoh above that. Then we have a point of contact at Howrah. All the Salkea salt goes *viâ* Howrah.

President.—The point that I was considering was this: supposing on the East Coast they start manufacturing salt, it does not interfere with you in any way, does it?

Mr. Rose.—No, but there is some traffic *viâ* Gomoh, which it is bound to affect.

President.—It is almost negligible.

Mr. Rose.—Yes, it is very small.

President.—The point that I was trying to suggest was that, supposing salt was manufactured on the East Coast it will not interfere with your traffic east of Calcutta. That traffic will have to move from there to Calcutta eastwards.

Mr. Rose.—Yes. As the position stands it will affect us to an insignificant extent.

President.—Do you know much about the Talcher coalfields?

Mr. Rose.—No.

President.—Where are your collieries?

Mr. Rose.—At Giridih and Bermo near Gomoh.



BENGAL NAGPUR RAILWAY COMPANY, LIMITED.

Evidence of Mr. R. A. LEAKEY, Superintendent of Rates and Development, recorded at Calcutta, on Friday, the 24th January, 1930.

President.—What is your official designation, Mr. Leakey?

Mr. Leakey.—Superintendent of Rates and Development.

President.—Are you familiar with the East Coast, say from Puri southwards?

Mr. Leakey.—Yes.

President.—Chilka Lake and that locality?

Mr. Leakey.—I know it very well.

President.—One of the points that we are considering is this. I think we have explained that in our communiqué, but I shall explain to you again. We are enquiring whether the kind of salt that is consumed in Bengal can be manufactured in India and if so where. We are now considering whether it can be manufactured. Now it is obvious that if salt could be manufactured in the vicinity of Bengal, it would be better from many points of views. It would save a considerable amount of freight. It would keep more or less the manufacturer in contact with the consumer and the rest of it. Therefore we are investigating whether it is possible, if improved methods of manufacture are used, to manufacture this class of salt in the East Coast. Ganjam is the border line between Madras and Bihar.

Mr. Leakey.—I think it is Balugaon.

President.—It is half way along the Chilka Lake.

Mr. Leakey.—It is just at the North end of the Chilka Lake.

President.—Salt is being manufactured at present in Naupada and Ganjam.

Mr. Leakey.—Yes.

President.—There are difficulties there in this sense. First of all, the distance is somewhat longer and secondly most of the suitable sites, we are told—I do not know how far that is true—are in the hands of small manufacturers and if manufacture was to be undertaken on a large scale, it would have to be undertaken on an entirely undeveloped site.

Mr. Leakey.—Yes.

President.—Most of the suitable area is on the South side of the Lake. If a suitable site was found along the railway line, then no question would arise. It is large scale production that we are thinking of. If no suitable site was found along the main line, it is suggested that Tua Island might be considered as a site. I suppose you know that scheme.

Mr. Leakey.—Yes, I know.

President.—Let me explain to you. If that is the site which has been decided, it would only be possible if Tua Island is connected by railway with Puri which I understand is the nearest point.

Mr. Leakey.—Yes.

President.—Because if you had to take the salt across the Lake it would mean double handling.

Mr. Leakey.—Yes.

President.—That is one point. Then, of course, comes the freight. This will be entirely new traffic for the Bengal Nagpur Railway if a salt works is started there. That traffic you have not got just now. The idea is this. At present a considerable amount of salt is imported into Calcutta and it goes East of Calcutta. That goes by sea. Most probably this salt would replace the

imported salt in Calcutta and then it will travel eastward. Therefore from your point of view this would be an entirely new traffic.

Mr. Leakey.—Yes.

President.—It will not interfere with any other traffic that you have got.

Mr. Leakey.—It would interfere with the Calcutta traffic.

President.—Which traffic?

Mr. Leakey.—The traffic in the existing imported salt from Calcutta. If this takes the place of the imported salt then our existing traffic in salt would be washed out presumably.

President.—Which traffic are you talking about?

Mr. Leakey.—The traffic in imported salt to our stations.

President.—So far as that imported salt is concerned, we don't contemplate that the imports will continue as they are.

Mr. Leakey.—No.

President.—Whatever salt has got to go from Calcutta may still continue to go whether it is imported or indigenous.

Mr. Leakey.—That would really replace the existing traffic from Calcutta.

President.—The imported salt that goes to the East you don't get.

Mr. Leakey.—No.

President.—That is the point I am trying to make. In so far as you get some traffic which goes east from Calcutta of imported salt, it is an entirely new traffic for you.

Mr. Leakey.—Any traffic in salt to east of Calcutta will be new, but it would only replace the traffic in imported salt from Calcutta which goes west by our line.

President.—That part of the traffic in any case you are likely to lose because we are tapping other sources from which the salt will be supplied to those markets practically without having to go to Calcutta.

Dr. Matthai.—Have you any idea as to the proportion of the salt from Calcutta which you convey east and west?

Mr. Leakey.—We convey none east.

Dr. Matthai.—The whole of your traffic goes west.

Mr. Leakey.—Yes.

President.—That is about 50,000 tons.

Mr. Leakey.—Yes.

President.—Your traffic runs in three directions.

Mr. Leakey.—From Calcutta according to Statement A the salt comes down as far as Bhadrak and then goes up to Bihar.

President.—There is no other line except the Bengal Nagpur Railway.

Mr. Leakey.—No.

President.—If the market has to be served, it has to travel over your line in any case whether it goes from Puri or any other place.

Mr. Leakey.—Yes.

President.—Therefore how can you lose? It cannot be carried except through your line.

Mr. Leakey.—It will be a substitution of the existing traffic from Calcutta.

President.—So far as west of Calcutta is concerned it may be. So far as east of Calcutta is concerned it is entirely new traffic.

Mr. Leakey.—I quite agree.

President.—As regards west of Calcutta whatever traffic is there has to pass over your line. I take it that most of the traffic is of that type. If a Works was here in that section (shown the map), it would travel over your line.

Mr. Leakey.—If it takes the place of the imported salt, it will do so.

President.—There is not much chance of your losing the traffic.

Mr. Leakey.—It is a substitution of the traffic.

President.—You may have a longer lead for some of the places.

Mr. Leakey.—Yes.

President.—At present you are applying C. H. rate.

Mr. Leakey.—Yes.

President.—You propose that if this is done you would apply C. N. schedule.

Mr. Leakey.—Yes.

Dr. Matthai.—Apart from station-to-station rates, there is no rate below C. H. rate.

Mr. Leakey.—No.

President.—I understand that you have a special station-to-station rate from Naupada to Calcutta. Is that right? It is about 5 annas a maund.

Mr. Leakey.—Yes. As a matter of fact, that can be considered as an inoperative rate.

President.—Naupada is 435 miles from Howrah. Supposing there was a salt works on the Chilka Lake, what is the objection to your applying station-to-station rate from this place to Howrah?

Mr. Leakey.—How can we maintain that rate from there to Howrah. If we apply that to the Calcutta traffic we shall have to drop our rate on salt generally when we charge stations shorter than Howrah at a higher rate.

President.—That is what railways always do. There is no serious departure in that from the railway policy as far as I can see. I can understand that it would be a serious departure if you put the same rates.

Mr. Leakey.—I think it would be very difficult to maintain that rate.

President.—You have given it to Naupada?

Mr. Leakey.—We knew there was no traffic to Calcutta whatsoever because there was no market. Some of the merchants approached us and said that they might possibly get a little traffic for certain stations on the East Indian Railway and possibly also to Calcutta for some low grade salt for tanning. So it was no loss whatsoever to us to quote them this rate because the rate is entirely inoperative.

President.—In order to get no traffic you quote a lower rate, but in order to attract traffic you won't quote a lower rate: Supposing you were to get, say, 100,000 tons of entirely new traffic would you not then consider the advisability of quoting them a lower rate?

Mr. Leakey.—If we once lower the rate for a tremendous volume of traffic between particular places like that it practically means that we shall be forced to lower the general level of rates.

President.—It does not necessarily follow. You have reduced your rates on coal; that does not compel you to reduce all your rates.

Mr. Leakey.—I mean all our rates on salt.

President.—Why should it be so?

Mr. Leakey.—I think it is a difficult position to maintain.

President.—There are a lot of station-to-station rates both on the East Indian Railway and your railway.

Mr. Leakey.—But that is quoted in particular stations mostly for long distance traffic.

President.—But this distance is not very short; it is a lead of 350 miles, and some quantity of coal may also have to be carried to this side so it is not a thing to be despised.

Mr. Leakey.—But salt is a traffic which one may say moves to all little stations.

Mr. Mathias.—You won't find fine white salt there.

Mr. Leakey.—In any area it is not the traffic that simply moves to one station for which you can quote a special rate; it affects all traffic to all stations in that area.

President.—The whole point is to place in Calcutta indigenous salt in place of the imported salt and to distribute it from Calcutta, the same as is being done now, which will enable the Indian railways to get the freight which now goes to the steamer companies.

Mr. Leakey.—Am I to understand that the whole idea is that no salt would move to any station in Bengal except through Calcutta?

President.—I don't know. The idea of having a factory on this side is mainly for that part of the market. I was telling you that our scheme does contemplate that salt would be supplied from various centres direct to the market.

Mr. Leakey.—Of the imported salt we already get 47,000 tons and that amount would presumably still continue to move to the same stations but from a different source. How are you going to regulate the freight to all the stations to which this 47,000 tons of salt goes. It means dropping the rates to those stations. If it was a question of merely bringing in bulk supplies to Calcutta, I think it is a different consideration.

President.—Supposing it was that?

Mr. Leakey.—Then I should certainly say that the Bengal Nagpur Railway would be prepared to come down. If it was purely a question of bringing in bulk to Calcutta and no question of distribution from the original sources to every station on the Bengal Nagpur Railway that would be a different proposition entirely.

President.—So far as distribution is concerned east of Calcutta the rates may be very much affected if our scheme goes through. I can't say what the effect of that will be. The idea is that as far as possible on the west of Calcutta the salt ought to go direct from the works to the market instead of having to go to Calcutta. In that case it is quite possible that salt may be supplied direct along other railways with your own to the same markets which get salt from Calcutta. But nobody can say how it would work out. It will have to be properly organised. They will bring it from Sambhar, from Khewra or from some other place so far as this part is concerned, but as regards the east of Calcutta some salt may come over the Bengal and North-Western Railway direct and some salt must go from here to these various parts and that salt may perhaps be most convenient to manufacture here. You cannot stand in the way of the industry in that way.

Mr. Leakey.—I think it is extremely difficult to visualise that salt from any particular source of supply would not go direct to these small stations.

President.—That means this: in order to retain this small traffic that you have got no industry can be started here. You can't always adopt that attitude. A large scale industry has to be started on your section and your answer is that you will lose some small traffic that you have got.

Mr. Leakey.—One of the main considerations is that salt being a commodity which moves one may say to any station wherever it is wanted, it is difficult to apply a flat rate to that and therefore it is a commodity which should be charged a scheduled rate according to the distance.

President.—That is generally speaking; I understand that. But from point to point you can't insist upon saying that it should be confined only to that. An industry cannot be started. Supposing that market fails?

Mr. Leakey.—It is going to affect the whole of our salt. As a matter of fact our salt is now distributed generally on the scheduled rate basis and if you are going to suggest that we should merely have a flat rate for salt.....

President.—I am not suggesting that. I don't propose to interfere with your present rates. My proposition is simply this: that in order to establish a big industry, possibly on your section, what are you prepared to do?

Mr. Leakey.—The railway only has to look at it purely from the point of view of business. If we are going to get additional traffic we can reduce the general level of our rates so that this additional traffic gives us some revenue. But I don't think the B. N. Railway is prepared to quote a lower rate which is going to result eventually in any loss of revenue.

President.—But you can on the present figures that you have given see that your railway is in a peculiar position in this way that there is no other railway available at all within this area (explained with the help of a map) and therefore whether it comes from here or from that point you are bound to get that traffic. I don't see how it can be otherwise.

Mr. Leakey.—Do you visualise that the existing traffic from East Coast stations is going to entirely cease?

President.—You have no traffic from the East Coast.

Mr. Leakey.—I mean traffic to the West from East Coast stations which travels to stations between Khargpur and Ranchi and right up to Nagpur. Do you visualise that traffic would entirely cease?

President.—No, it might increase.

Mr. Leakey.—Suppose your new output of fine salt was at Chilka Lake: that would interfere with the Naupada Salt.

President.—No. At present we do not know how the consumer would take to that. Then again between Naupada to Puri there isn't much difference, it is only 100 miles.

Mr. Leakey.—That is so. What I mean to say is that if we quoted a lower rate for this salt we shall be bound to bring down the level of rates from the existing source of supply right on our line. We can't maintain the position of having a lower rate for salt from the Chilka Lake and at the same time have a lower rate for this inferior salt which goes right up to the Central Provinces.

Dr. Matthai.—The bulk of the salt goes to the Orissa side. It is only a relatively small proportion that goes into the Central Provinces.

Mr. Leakey.—Yes

President.—We are talking of Naupada and this place. Supposing the Puri works were able to put their salt in the Orissa market, instead of its going from Naupada which is your nearest point it might go from the Chilka Lake. But there is no reason why you should not quote special rates because the distance would not I think be smaller as it would be circuitous route.

Mr. Leakey.—Supposing this salt from the Chilka Lake replaces this salt from Naupada, it will replace the salt which now goes from Naupada to the Central Provinces.

President.—It has got to go right round. That won't make much difference.

Mr. Leakey.—If this salt here replaces the salt from there in these markets up here we propose to reduce the rates from there (explained with the help of a map) we would be losing a very considerable amount of revenue. At present we quote the C. H. schedule.

President.—You can quote the same rate from Naupada and Puri?

Mr. Leakey.—We shall still quote the C. H. schedule you mean? I don't think that is a feasible proposition.

President.—Supposing Naupada put up a new factory?

Mr. Leakey.—Even supposing a new factory was going to be put up at Naupada it immediately drops the level of rates down to C. M. instead of the C. H. schedule for all our traffic. It is not a tenable position.

President.—The position therefore is this that this industry cannot be established at Puri at all if the Railways take up that attitude for all time. It is a very important commodity for Bengal consumption as well as as an industry, and if the railways stick to their 47,000 tons we can never organize the salt industry in this part of India.

Mr. Leakey.—The proposition that we made is that we would revise the rates.

President.—The position is this. We don't know what the cost of production may be. If it turns out that the cost of production is much lower than was anticipated then this question may not arise. They may be satisfied with your ·20 rate. The point is, salt just now comes from abroad and we calculate that the total cost of transport from the works wherever it comes from, comes to 7 or 8 annas a maund on an average. Then, if for instance, freight from here was 5 annas it will give this man an advantage of 3 to 4 annas per maund over the seaborne salt. That might enable him, even if his costs were higher, to establish the industry here whereas if you quote the ·2 rate it would practically come to the same thing as the freight on seaborne salt and incidental charges. Therefore in order to give him 2 annas extra we must get a lower freight charge from the Chilka Lake to Calcutta. That is the proposition.

Mr. Leakey.—That is on the assumption that it knocks out any chance of any other salt area. Under the C. H. schedule the rate from Naupada to Howrah is about the same as the minimum rate to Sambhar.

President.—In the scheme that we contemplate different kinds of salt will not compete in the same market and therefore if Sambhar comes in here this goes out.

Mr. Leakey.—If Sambhar salt came into Bengal they could not get it at a lower rate than that.

President.—No. Therefore you are at an advantage. We are not suggesting that the rates should be lower than the minimum rates. What we suggest is this, that the railways ought to enable the manufacturer to establish himself here, because it is a big industry, by enabling him to compete against seaborne salt or the railborne salt in that part. The lead here is long and if you give them the same rate that you have quoted for Naupada, namely ·19, that might suffice for their purpose. I have got this special rate from Naupada. You have reduced it from Rs. 1-7-4 to annas 10 a bag in November 1929.

Mr. Leakey.—At the rate of As. 5-1 per maund.

President.—If you gave the same rate either from Naupada or from Chilka, I do think that you would make it possible for the industry to be started and you would get a good deal of profit.

Mr. Leakey.—My contention is quoting that rate there merely as a station-to-station rate for one point leads us to difficulties with regard to the other markets.

President.—You quote also from Madras.

Mr. Leakey.—We have got 1/10th as against sea competition.

President.—This is exactly the same thing. This is also sea competition.

Mr. Leakey.—That is against sea competition from Europe.

President.—Why sea competition from Europe?

Mr. Leakey.—The Madras rate was quoted to get traffic.

President.—Here I am offering you traffic. There is more chance of your getting traffic. Is it not a ground for accepting it or rejecting it?

Mr. Leakey.—I don't think the considerations are the same there. The particular Madras rate that was quoted was merely an attempt to see if we could get any traffic moving up from Madras by rail in competition with the sea. Those are not effective rates.

President.—You can't say that you just made a formal offer to the public. You intended that it should be accepted.

Mr. Leakey.—Yes.

President.—The railway doesn't reduce its rates for the fun of it.

Mr. Leakey.—It is tantamount to a reduction of the freight for the whole of our existing traffic.

President.—Why should you do it any more than you did before? From Madras to Calcutta you have quoted the minimum rate. Don't you then consider this question may arise?

Mr. Leakey.—We knew for certain that it would not be a substitute for any of our traffic.

Mr. Mathias.—Supposing a factory at Naupada is started and produces 100,000 tons, will you alter your rate back to this present low rate?

Mr. Lekey.—Into Calcutta?

Mr. Mathias.—Yes. You only introduced it formally because there is no traffic. Supposing a factory is started and it produces 100,000 tons would you alter it to As. 5-1?

Mr. Leakey.—It just depends whether it is going to substitute the existing traffic. If it does, then it would become a different consideration.

Mr. Mathias.—Supposing it was a different traffic?

Mr. Leakey.—If it was purely additional traffic, we should be quite pleased to get that.

Mr. Mathias.—Where is the difference in the case which Sir Padamji suggests?

Mr. Leakey.—In that case it is going to be a new traffic purely to Calcutta and it is not going to substitute the traffic to all our other stations in the Central Provinces.

Mr. Mathias. Would not the low rates from Naupada be quoted so far as the traffic from Central Provinces is concerned?

Mr. Leakey.—No. I suspect that this particular rate that we quoted in the particular circumstances was going to be spotted by you and it might embarrass us. But in the circumstances under which that rate was quoted, we know perfectly well that has no effect on the existing earnings we get from the whole of our traffic. But it does make a considerable difference if a new proposition such as you put forward is going to take the place of imported salt entirely and we should have to bring our whole rates to that level. I should say we should really be able to maintain that rate if it came to a question of actually substituting the traffic from Calcutta in the imported salt.

President.—It is an argument which may or may not hold good, because we don't know. You make that a ground for refusing a lower rate which might make it possible for an industry to be started for all time.

Mr. Leakey.—In any case we should have to base our salt rates at the scheduled rates. Your suggestion is that we should not have a flat rate for salt.

President.—I am not asking for any special reduction so far as your present rates are concerned except between the works and Calcutta which is the point of distribution for certain markets.

Mr. Leakey.—That lands us into other difficulties about the other markets. Are we in a position to say that we are quite prepared to carry the salt to the Calcutta market, but not for the intermediate stations?

President.—This cuts both ways. If we find that there is no prospect of any salt being produced in this part and we made up our mind that the country must produce all the salt here in the nearest centre, how do you know that that is going to help you to retain this traffic that you have got? Supposing, on the whole, railways increase their traffic, would that not be sufficient?

Mr. Leakey.—Yes, provided we didn't reduce our earnings. Are we going to lose earnings by any reduction?

President.—How can you lose? Unless at least 100,000 tons goes along your line, the works cannot be started there. Therefore you first of all do get that.

Mr. Leakey.—At the same time on all the existing traffic we will have to reduce rates.

President.—Supposing you reduced it to As. 5 a maund: that is about Rs. 8 a ton. Traffic *viâ* Nagpur is not affected, I take it.

Mr. Leakey.—No, I think not. It should maintain the existing rates.

President.—Which traffic would be affected?

Mr. Leakey.—The whole of the traffic from East Coast stations—the whole of the traffic from Calcutta.

President.—Why the whole of it?

Mr. Leakey.—Because we are carrying that now at the C. H. schedule. The whole of that would drop to a lower rate that you quote.

President.—The station-to-station rate you are not bound to quote at all for all stations.

Mr. Leakey.—That seems to be the real crux of the situation. My point is if we bring down the rates for the traffic to Calcutta, we have got to bring down the level of our rates to other stations.

President.—Supposing you get 100,000 tons from Puri on your section in addition to whatever traffic you have got, you say that you may have to reduce your rate on that traffic. Will you wipe out the additional earnings that you make on that new traffic?

Mr. Leakey.—From the business point of view we have to work it out and that is why I put this thing as a proposition. I don't know what your ideas are. You said in your letter one or two centres. If one centre was on the Bengal Nagpur Railway and another centre was on the other line, the supposition was we should get half of it.

President.—If you get only half that amount, it doesn't make it cheaper than the seaborne salt.

Mr. Leakey.—It is not really the function of railways to act in a protective manner.

President.—I am not suggesting that.

Mr. Leakey.—If it is going to lose revenue. We are quite prepared to assist.

President.—You compel the industry to be started elsewhere by adopting this attitude for all time. This Puri proposition has been going on off and on for 20 years and it simply means this that this industry cannot be started on this side, because the railways do not want it. That is what it comes to.

Mr. Leakey.—I dispute that because the rates that you are going to get from any other point would actually amount to the same rate as that for Puri as far as the Calcutta market is concerned.

President.—We examined the East Indian Railway a day or two ago. They are willing to quote rates which would enable them to bring salt from other centres in these markets. They find that they are willing to do it, because they are going to gain. They are going to offer station-to-station rates for scores of stations. They are not afraid that owing to that they will be compelled to reduce the other rates. You meet a situation as it arises and it is not as if railways are quite consistent in their rates policy. They put forward the same arguments for a different proposition entirely. I can quite understand that if you are making a departure from your tariff policy, but this is not a departure and it is in accordance with the railways' general policy.

Mr. Leakey.—What argument can the railway put up for quoting lower rates to Calcutta than it could for a market short of Calcutta, say, Khargpur?

President.—That is an argument which you always make. That has been the complaint of the business community.

Mr. Leakey.—Not without justification.

President.—Quite true. The justification that the railway finds when it wants to do a thing. That is quite obvious. There are hundreds of cases where you find that the distance is not the most important factor.

Mr. Leakey.—No. I think that in those cases we always have to have a justification which can be upheld before the Railway Rates Advisory Committee.

President.—The position is that you are getting some traffic which you would never get otherwise. You are allowing an industry to be established within your line which doesn't exist and that on the whole you are not likely to lose.

Mr. Leakey.—It is purely a question of business proposition. We have to work out and see whether we are going to lose earnings on it or not. You said 100,000 tons.

President.—Yes, just for the sake of argument which in all probability would go to Calcutta. That is all we can say. It must go there.

Mr. Leakey.—You immediately get a situation. If you quote a special station-to-station rate to Calcutta, it becomes easy for merchants to book it to Calcutta and rebook it to stations short of Calcutta, say, Khargpur. If we maintained our C. H. schedule rate for stations short of Calcutta, it would be cheaper to book them to Calcutta at station-to-station rates.

President.—How do you know that your salt is rebooked?

Mr. Leakey.—I say it would be rebooked. Let us assume that salt is required in Khargpur. If there is a special station-to-station rate from the main factory at Chilka Lake to Calcutta, and the existing rates are maintained for stations short, say, Khargpur, then it would become cheaper to book it to Calcutta and rebook it again to Khargpur.

President.—You can surely stop the rebooking.

Mr. Leakey.—No, that is impossible.

President.—The railways have always found a way out of the rebooking. The difference is not so great. Supposing you give ·2 rate that you are proposing, it is a difference between ·2 and ·15 that we are discussing just now. Supposing you give ·2 rate?

Mr. Leakey.—If we give ·2 rate, that is practically the C. H. schedule that you are suggesting.

President.—I am suggesting As. 5 roughly from this point to that. Naupada is ·15.

Mr. Leakey.—It is nearer ·14.

President.—You are offering ·2 here, so that on that difference I don't think it would pay a man to rebook it.

Mr. Leakey.—I only took Khargpur as one example.

President.—In this scheme that you contemplate the marketing will not be in the hands of individuals, but a big organisation, a company and it will not probably send two different kinds of salt to the same market. It will send one kind of salt direct to the market which needs that particular salt.

Mr. Leakey.—There is a large proportion of Bengal and Bihar which would not normally be supplied from Calcutta but would be supplied direct.

President.—From where?

Mr. Leakey.—From any central producing point. I admit that it would be a different proposition if it was purely a question of distributing to the East. We have to consider the whole of this part of Bengal and Bihar (explained with the help of the map).

President.—I just want you to consider this proposition. What we are contemplating is that in this market only one class of salt will be marketed, so that you may lose only a portion. It is possible within a hundred miles all this salt would come this way (shown the map) right to Asansol. The difference between the freight from Sambhar to this place and the minimum rate is only 3 annas. Supposing we induced the other railways to quote a through rate from Sambhar, you would lose a great deal of traffic (the position was explained fully with the help of a railway map).

Mr. Leakey.—I take it that the proposition is there will be two sources of supply and not one.

President.—The cheapest source of supply will supply the salt to the market.

Mr. Leakey.—I want to know whether there would be two sources of supply or whether there would be only one source of supply.

President.—What we are trying to do is to have only one source of supply for each market and not more for the same quality of salt.

Mr. Leakey.—So far as the Bengal market is concerned, the idea is to have two sources of supply—not merely as additional sources but as alternative sources.

President.—This salt will be white and crushed or uncrushed. It is not the kind of salt that is produced at Naupada now.

Dr. Matthai.—Your present traffic from Calcutta is not likely to be replaced by traffic in the white salt that is intended to be produced in the new works.

Mr. Leakey.—Assuming that traffic is not replaced, if we have a lower basis for that traffic, it is bound to re-act on the basis of the existing traffic.

Dr. Matthai.—If there is no possibility of developing that traffic any further by quoting a lower rate, are you not justified purely from the business point of view in quoting a special rate in order to develop a new traffic?

Mr. Leakey.—I don't think that it would really help in a question of undue preference. I don't think that your argument will be a justifiable ground to prejudice the producer on this point as against the producer on the other point.

President.—Your answer is " By doing this, we are guaranteed a certain quantity of traffic which we would not otherwise get. If anybody comes with, say, 100,000 tons, we would be prepared to consider it ". It is a reduction in favour of a large scale consumer.

Mr. Leakey.—I am afraid that this argument would not help us before the Rates Advisory Committee because it will be prejudicing a small man. The only one case we have is the agreement with the Tata Iron and Steel Company and that is a special agreement.

President.—Supposing the East Indian, Bengal and North-Western and Bombay-Baroda Railways agreed to this, would you still persist in this? We have already examined the East Indian Railway and they are willing to quote station-to-station rates in order to get the additional traffic.

Mr. Leakey.—Are they prepared to quote station-to-station rates?

President.—Yes, for the whole lot of stations.

Mr. Leakey.—That is practically tantamount to quoting at a scheduled rate. They will have to adjust the rates for all the different stations accordingly.

President.—You can do the same in that case.

Mr. Leakey.—I do not know how they propose to work it. If they are going to distribute the salt to any out-station in a particular area, it is a cumbersome business.

President.—They are willing to do it because they don't wish to have any interference with the existing C. H. rates as regards other markets. The principle on which they proceed is this. We have told them what the freight is—I mean the freight on the seaborne salt and other incidental charges. Then, they add the freight from Calcutta to any particular station and the station-to-station rate is just below that.

Mr. Leakey.—The East Indian Railway are not in the same position as we are. They won't be prejudicing the existing traffic.

President.—The attitude of your railway is this then. The Railway will not encourage the establishment of an industry here at all because it has

got the traffic from Calcutta which it thinks might be interfered with. I just want to know what the position of the railway is.

Mr. Leakey.—The Railway would be pleased to encourage an industry provided we would have some assurance.

President.—What assurance can I give?

Mr. Leakey.—That is a question of working out as a business proposition.

President.—The whole point is this. Whatever happens you get an additional traffic which you have not got just now and you must assume more or less that the manufacturer will try and get the best price for his salt. If he could quote below the seaborne salt and go eastward, he would do so.

Mr. Leakey.—Am I to understand that with the reduction that we are prepared to make that is absolutely impossible?

President.—Yes, I will tell you why. 250,000 tons is a very large quantity. If you calculate at that rate, it will come to ·2 pie per mile.

Mr. Leakey.—The reduction that we offer is a 42 per cent. reduction on the existing rates.

President.—These railways are going to give 80 per cent. and even 100 per cent. reduction in some cases to get the traffic. So, the reduction that you propose to give is nothing.

Mr. Leakey.—It is a new traffic, is it not, to them to a great extent because it is not supplanting the traffic that they are getting now from Calcutta.

President.—You forget that there is no competition at all. To go east, we must bring the salt either from Naupada or Sambhar or by sea, so that by not allowing another works to be started before the marketing organization has decided, you do two things. You shut out the industry, and you shut out the railway.

Mr. Leakey.—If the other railways are not going below ·10?

President.—How do you know that they will not? When we tell them that this can be manufactured only in this way and the Bengal Nagpur Railway refused to make a concession.....

Mr. Leakey.—You contemplate that they might go below ·10.

President.—The country may find it cheaper to do that way because the railways belong to Government. I am not suggesting that they will do it. Supposing we put it to them "we want this additional quantity of salt—railborne and not seaborne—and there is no other source except Sambhar and Khewra. The former is out of the question and the latter should be given preference" and supposing there is a difference of 2 annas in the freight, they may say "we will charge 2 annas less on the salt that is going to the Bengal market". I will give you an illustration in another way. The price of seaborne salt excluding the freight is say 6 annas per maund. The difference in freight is 2 annas. They may sell the salt in the Bengal market 3 annas cheaper. In that case you shut out the industry and you shut yourself out.

Mr. Leakey.—The minimum rate is over 8 annas.

President.—The selling price in Calcutta is 12 annas, of which 7 or 8 annas is the freight which leaves a margin of about 5 annas. They may sell the salt by cutting down the price because we are contemplating one marketing organization. In that case, what happens to your railway?

Mr. Leakey.—The rate from Sambhar at 1/10th is over 8 annas. Supposing we quoted 6 annas 9 pies?

President.—Do you mean under the C. N. Schedule?

Mr. Leakey.—Yes.

President.—The difference between the sea freight and that freight is only one anna. The cost of production in Puri is higher whereas here the cost of production is very low. We know it already.

Mr. Leakey.—It is a considerable reduction below what they can do from Sambhar.

President.—What we are after is not so much to have a cheap source of salt as to have a source near the market. It is time that the railways and the manufacturers or the marketing organization understood what the position was. Once they embark on a scheme, it is very difficult to change that. It is for that reason that I am asking you whether you will not consider the question.

Mr. Leakey.—If there was a question of bringing salt particularly to Calcutta, it was in bond for distribution in that area.

President.—We cannot give you any guarantee. It looks as if it would be like that if the proposition matures. As far as one can see that would be the line.

Mr. Leakey.—My contention is that whatever level of rates we can go down to from there we are bound to go down for our existing traffic too from other points on the east coast. We always have to look at it from the point of view of complaints of undue preference.

President.—This salt will be more expensive than the Naupada salt.

Mr. Leakey.—That is an argument put forward for the cheaper commodity which has not got the same market.

President.—It simply means this that you don't want to encourage a better quality of salt in that vicinity. You tie yourselves down to the existing traffic. That is what it comes to.

Mr. Leakey.—We don't see that in any scheme we should separate our existing traffic.

President.—You have already given these people lower rates. I am not asking you to quote lower rates than you have given to Naupada. You can say that you will allow the same rate from Puri.

Dr. Matthai.—Practically in every case of station-to-station rate there is a certain amount of undue preference; that certainly involves an element of undue preference, does it not?

Mr. Leakey.—If you have justification for that it is not undue preference.

President.—Justification from your point of view is additional traffic. It is a purely business proposition.

Mr. Leakey.—You merely want one station-to-station rate to Calcutta?

President.—That is what we are immediately concerned with. Until we get that we cannot propound any scheme at all. We have got to show that if Calcutta is to be the distributing centre salt produced there can be put into the market at a lower price, at least at no dearer price than now, and we cannot show that unless we have got this rate.

Mr. Leakey.—If it was a question of this large bulk movement for Calcutta itself then our consideration might be different. The difficulty I am up against is that if we quote this rate it means bringing down to the same level and, what it will probably amount to, quoting a schedule which would be lower and which for the Calcutta distance would give a rate of about 15 for salt at the remaining stations graduated according to the distance at the schedule rate to Calcutta.

President.—I can't advise you on that point as to what might happen afterwards.

Mr. Leakey.—With regard to this proposition that I put forward there is the assumption more or less all right that we might reasonably expect to get 250,000 tons?

President.—I don't think it may be as much as that. We want the minimum quantity with which you would be prepared to do it.

Mr. Leakey.—I am trying to work this out purely as a business proposition.

President.—You can take a minimum of, say, 100,000 tons. That may also mean a certain movement of coal from Talcher. It may be more but I can't say, but we should not encourage any works which was producing less than 100,000 tons.

Mr. Leakey.—My examination of the case is, as I say, from the point of view of revenue, as to how it is going to affect the railway. Obviously if the business proposition is going to mean a loss to us it will not be acceptable to us.

President.—Will you work it out and let us know?

Mr. Leakey.—If I could possibly get some more data it would be helpful.

President.—I can't give you any more data than this, that assuming that the traffic that moves from Puri to Calcutta is put at 100,000 tons, will the railway be prepared to do it and at what rate? I can't tell what might happen afterwards. Supposing they produced 200,000 tons then in that case they may want some of these other markets: that is for them to do. We are only calculating on having 100,000 tons for the Calcutta market.

Mr. Leakey.—Is it the proposition that Chilka Lake is to be the site and not Naupada? That, of course, makes a certain amount of difference.

President.—Naupada is not considered to be as favourable a site as this. It is, of course, a matter of extension of the railway from the Chilka Lake to Puri.

Mr. Leakey.—Is that a matter on which the railways have been approached too?

President.—Yes, otherwise how can they bring it to Calcutta? Then again supposing they used coal it will have to be carried there. Of course it is very doubtful whether it could be done.

Mr. Leakey.—In actually working out the proposition from the possible loss point of view the site which I was thinking of, taking on the assumed basis, is Naupada.

President.—The difficulty about Naupada is that no suitable land for a large scale works is available there.

Mr. Leakey.—Puri is 310 and that would be roughly 25 miles, that is 335 against 435 up to Naupada or about 100 miles less lead. May I examine that again on this basis? We have got to have an idea of the tonnage also to assume a basis.

President.—The thing would not be worth doing unless it is at least 100,000 tons. Supposing it is found that Tua is the most favourable site then there is this question of extension.

Mr. Leakey.—Are you putting that to the Railway Board?

President.—I am putting it to you.

Mr. Leakey.—That is a matter I shall have to refer to the Agent because that is beyond my jurisdiction.

President.—Would you be able to give us a rough estimate as to the cost of this extension?

Mr. Leakey.—Without an actual preliminary survey it is difficult to say anything because I understand there are difficulties about the project. But I know that when Mr. Gupta came to discuss with the Agent we gathered that there were a lot of bridges to be constructed to get into that particular island and it would be difficult for the engineers to give a rough estimate unless they went there and had at least a preliminary survey. As a matter of fact the first time we heard of it was about six months ago when the Director of Industries, Bihar and Orissa, put forward this proposal saying that there was a firm which wanted to manufacture salt there.

President.—Is there any correspondence with the Director of Industries, Bihar and Orissa, on the subject?

Mr. Leakey.—The Director of Industries put forward this proposal that there was a firm who wanted to manufacture salt there and he suggested

that the Traffic Manager should look into the thing but there was never any estimate made.

President.—If you can give us a rough estimate give it or leave that question and tell us about the rate.

Mr. Leakey.—If you want anything definite from the railways I shall have to put it to the Agent. That is beyond my jurisdiction.

President.—That is why we wanted the Agent to come here.

Mr. Leakey.—He did not know that this would come up in this enquiry at all.

President.—You can leave that out for the moment if you cannot give any definite information.

Mr. Leakey.—This salt to be manufactured at a place 25 miles from Puri, the minimum tonnage being 100,000 tons and the rate you say should be about 5 annas a ton: I will reconsider that on this basis.

President.—I would like the railways to take a serious view of the situation whether this industry should be established or not provided the railways get something out of it. Puri's only market is Calcutta because it gets an advantage of about 3 annas over seaborne and other freight.

Mr. Leakey.—Our consideration is purely as a business proposition.

President.—We are not suggesting any subsidy by the railways to any industry: that we will ask Government to do. We want to put it on a business footing from the railway point of view. Supposing space was available but there were no railway facilities and the country wanted this salt then they will have to consider other sources.

Mr. Leakey.—It seems to me to be certain that there should be no necessity for a rate below the minimum.

President.—Even if it was so it is not an impossibility that for the through traffic it could be arranged: it depends on how anxious the country is to produce this salt. It may not be necessary to go below the minimum rate because they can reduce the selling price for these markets by getting a slightly higher rate in the home market. For these three sections that you have given, you have given the tonnage and the earnings. Can you give the earnings for each section to enable us to see what the flat rate works out at. Here it works out at Rs. 10 a ton for the whole area. I want to know what is your flat rate for four or five different areas.

Mr. Leakey.—We could get it from the revenue statistics for the different sections.

President.—When you get the total figure of revenue you can work out the rate per ton mile. We simply want to get an idea of what the general rates are.

Mr. Leakey.—You have got no distance to work on.

President.—Can you give us the average distance over which salt is carried?

Mr. Leakey.—You want the rate per maund per mile salt is carried at generally? Considering the enormous variations in the distances over which it is carried it is very difficult to give that, but from the C. H. schedule you can get the various rates and I can give you examples of various station-to-station rates that are quoted for various distances.

President.—If you simply give me the earnings for each section and work out the average rate for that section that would suffice for me.

Mr. Leakey.—Take (d) a station on the length between Khargpur and Raipur; from the producing centre on the east coast that is one length.

President.—I was referring to Calcutta stations and stations *viâ* Nagpur from the East Coast station.

Mr. Leakey.—I could give you the special rates to the different important points, say, on the section between Khargpur and Raipur which would be below the basis of the scheduled rate.

President.—I don't think we want that. It takes us into details which we really don't require. I think if you give me figures as regards items (1), (2) and (3) of Note A, it will be useful. As regards the others we don't know. If you like you give also information regarding item (5).

Mr. Leakey.—Yes.

President.—Have you quoted any special rates for industrial purposes—for alkaline industry? Have the Imperial Chemicals and others approached you?

Mr. Leakey.—You mean recently?

President.—During the last year or two.

Mr. Leakey.—No. We have had various suggestions from Messrs. Brunner Mond and Company, but there it was a question of combining different consignment in one wagon.

President.—But none as regards salt for industrial purposes.

Mr. Leakey.—None.

President.—The whole point is this that there is no salt in the neighbourhood of the coalfields.

Mr. Leakey.—No.

President.—Unless it is taken from somewhere, you cannot have that industry.

Mr. Leakey.—No, not for salt. The only one was that some small dealer approached us and tried to get salt for tanning purposes in the Calcutta area. That was the only reason why we quoted ·14 rate. It didn't prejudice any of the existing traffic.

President.—Your Talcher section is opened.

Mr. Leakey.—Yes.

President.—And the other one from Vizagapatam to Raipur?

Mr. Leakey.—No. That is opened about 60 miles from Raipur and 4 stations from Vizianagram.

President.—There is a large section in between.

Mr. Leakey.—Yes. But owing to the cutting down of the amount by the Railway Board, we have had to slow down the construction. We hope to get that through by the end of 1931.

President.—When will you let me have these statements?

Mr. Leakey.—You mean the statement of earnings.

President.—That doesn't matter. I want information about the other proposition.

Mr. Leakey.—I should rather like to wait until the Agent returns from his inspection.

President.—If you could let me have it in a week's time, it would be helpful.

Mr. Leakey.—Yes.

THE BOMBAY, BARODA AND CENTRAL INDIA RAILWAY, Co., Ltd.

Evidence of Sir ERNEST JACKSON, Agent, Bombay, Baroda and Central India Railway and Mr. H. P. BALL, General Traffic Manager, recorded at Bombay on Friday, the 7th February, 1930.

President.—I would like to explain what we are considering just now. We are just now enquiring into the salt industry and the idea is that we must try and find out whether India can produce the kind of salt which is being used in the Bengal market, I mean the whole of that part of India, *viz.*, Bengal, Bihar and Orissa and Assam, and if so if it can be put into that market at an economic price. It appears to us that it might be possible to produce that kind of salt in India but as you know the cost of production of salt bears no relation to the price. There are various competing centres. What we are investigating is this. If we divide the Bengal market into two parts, one from Calcutta westwards and the other Calcutta eastwards, what we find is that as regards the market Calcutta westwards railborne salt might be cheaper than seaborne salt taken to Calcutta *plus* the freight that it will have to pay to the railways.

Sir Ernest Jackson.—Yes.

President.—And therefore we have got to consider where we can get this railborne salt from. At present there are two centres, one is the Rajputana Salt Sources and the other is Khewra, in the Punjab. Khewra of course has a longer lead compared with Sambhar but there isn't really very much difference between Pachbadra to Howrah and Khewra to Howrah. We have discussed this question with the East Indian Railway on the footing whether they would be prepared to accept a traffic, which for the sake of illustration we put down at 150,000 tons, to be put into that part of the market. They think that they would like to have that traffic and they are prepared to quote rates which would just enable Khewra to put their salt in the whole of Bihar and part of Bengal but there is another 150,000 tons which the market might require in addition and we are now considering whether—you are not interested in Khewra, are you?

Mr. Ball.—No.

President.—But you would be interested in this sense that if we found that this proposition was not good enough we might suggest another source. In that case Government being the proprietors of both Sambhar and Khewra the salt price might be so adjusted that a good deal of the traffic which now comes from this place may be diverted to Khewra. It is merely a question of adjusting the output. I am trying to explain to you that you are interested to this extent that you might lose a considerable amount of traffic, and I am now considering whether it would be possible for you to quote a rate below ·175 which I understand applies to your present traffic. You have told me that you cannot possibly quote a rate below ·175. I am at present talking of new traffic which we will assume for the moment may amount to 100,000 tons more or less. We will take the market west of Calcutta first. There you have already got a certain amount of traffic from Sambhar.

Mr. Ball.—Yes, to certain stations.

President.—We are trying, if possible, to reorganise the market so that salt goes from the nearest source. You have a considerable amount of traffic from Sambhar to Cawnpore and along the B. & N. W. Railway. It is very difficult for me to tell you what the rate ought to be but the point

is this. We will put it this way: we estimate that the seaborne salt costs from the works to Calcutta between 7 and 8 annas a maund for freight. To that you have to add other charges so that it will come to 12 to 13 annas a maund. That would be the limit of the freight which the railborne salt can bear if it has got to go as far as Calcutta: a little amount of freight will have to be added if the salt goes westwards. If you are to take it to Calcutta you will have to quote that rate; if you are to take it west of Calcutta you may get a slightly higher rate because the seaborne salt has to pay freight from Calcutta to this point. It is in that way that we should like to work a scheme. You will have to find out if you got this additional traffic whether on the whole you would gain or you would lose because you may have to make certain alterations in the existing rates to the same markets unless you quote station-to-station rate.

Mr. Ball.—The Railway Board wrote to the East Indian Railway and they wrote to us and we have agreed to quote through rates to stations in Bengal.

President.—We don't want the railways to go into the whole question of re-adjustment of freights.

Mr. Ball.—That is why station-to-station rates would be more suitable.

President.—A more suitable course for the purpose of calculation would be to ask for a flat rate.

Mr. Ball.—That would interfere with the existing rates.

President.—If you are not able to give us a flat rate it becomes very difficult both for you and ourselves to judge how the traffic would go.

Mr. Ball.—We can find out the difference in the selling price and what reduction will be necessary and give you a station-to-station rate.

President.—The selling price of the future may be very different from the present selling price if the proposal goes through and therefore it would be much better for you to take this into account and assume that the price would be about the same for the foreign salt as well as for the other. If you take this rate that I am suggesting, that is to say between 7 and 8 annas, that would bring you near enough.

Mr. Ball.—If we put this down it would interfere with the present rates.

President.—I have asked the East Indian Railway to work out in this way and say if they would give me station-to-station rate. They think they would like to get this additional traffic, so that either you have got to share with the E. I. or the B. & N. W.

Mr. Ball.—We do share with the B. & N. W. Railway at present; but we have not yet approached them because we understood that the traffic would go *viâ* E. I. R.

President.—Will they agree to share at the new rate that you agree to quote? If they agree then you will see the market can be much more extensive. It will make all the difference to the quantity of traffic. At present we don't wish to raise this problem of going below the minimum rate, because I don't think that this is an industry in which at present at any rate this question is worth raising. Provided it is the minimum rate or slightly above it, it would just do. I want you to understand the point that this is what we are aiming at and that the sea freight *plus* the freight to destination from Calcutta ought to be higher than your through rate. That would give you this new traffic and would at the same time enable the Indian salt to be put into those markets.

Mr. Ball.—We have got an agreement with the East Indian Railway. We don't send them any traffic at present from Rajputana to stations in Bengal and Bihar and Orissa.

President.—Where does the Bengal and North Western Railway meet you?

Mr. Ball.—We come into contact at Cawnpore with the Bengal and North Western Railway.

Sir Ernest.—That is all metre gauge.

President.—That is what I am suggesting. There is no break of gauge. It is quite possible for you to get this.

Mr. Ball.—We have got a certain amount of traffic to Bengal and North Western.

President.—We haven't got any figures as regards the exact amount of traffic that you will get.

Mr. Ball.—I don't think that we need trouble you. We go down and capture the traffic.

President.—I would be satisfied with a general statement more or less to make that possible.

Mr. Ball.—We have already written to the East Indian to that effect. They are reporting to the Railway Board. We have asked them to let us know what they are doing about it.

President.—We have examined the East Indian Railway before and this is their position. We didn't want to put the Sambhar case to them, because we had not seen you. So we confined ourselves to Khewra. I think I am right in saying that they would quote these rates. As a matter of fact they have more or less given station-to-station rates. Now if you do the same as regards this, then what happens is that railborne salt will capture the whole of that market.

Mr. Ball.—Yes, we are prepared to do it.

President.—I am very glad to hear that. It is here that the difficulty arises. It is only a very limited market here really speaking. Even if you quote the minimum rate direct to Calcutta, you need not take into account the re-booking, because under our scheme we contemplate that one single agency will handle that, so that there will be no question of re-booking. Supposing you have got considerable amount of traffic to Calcutta, you would be prepared to quote a minimum rate.

Mr. Ball.—Yes, we would. I think the East Indian Railway would join.

President.—Yes. For the East Indian Railway it is entirely a new traffic.

Mr. Ball.—Besides that they have got by far the longer lead.

President.—I don't think the East Indian Railway will object. They have agreed as regards Khewra, though some only of it is entirely new traffic. As regards this it will be entirely new traffic.

Mr. Ball.—Yes. It would be to our interest to quote the minimum rate,

President.—I want to be quite clear about this, because as I say we have got no figures. May I assume that as regards the traffic east of Calcutta you will quote a minimum rate?

Mr. Ball.—Yes.

President.—As regards the other traffic you will quote station-to-station rates which would enable you to capture that traffic and that it will be within the minimum rate.

Mr. Ball.—Yes.

President.—But it cannot be very much higher.

Mr. Ball.—Yes. Of course that applies to Sambhar. Pachbadra must be higher. At present there is a difference of 9 pies.

President.—That is so. So far as that section of the railway is concerned, they have agreed to meet the situation. Probably the Pachbadra costs might be lower than Sambhar.

Mr. Ball.—It is a matter for agreement between the Jodhpur Railway and ourselves.

President.—The position is simply this that most of the salt may be taken from Sambhar and Pachbadra salt may be put in the same market where the Sambhar salt is put, so that it is a matter of adjustment.

Mr. Ball.—Quite.

President.—That is a very satisfactory result. I think we may assume that the East Indian Railway will fall in line. What about the Bengal and North Western Railway? Would you be able to communicate with them and let me know?

Mr. Ball.—I don't know exactly. We have made rates in conjunction with the Bengal and North Western Railway. We already supply salt to that railway.

President.—You don't know which way the cat is going to jump.

Mr. Ball.—We are very much afraid of reducing our present rates. It would mean a very big loss.

President.—I don't want you to interfere with those rates. Unless the Bengal and North Western Railway fell into line with you and the East Inland, it is very difficult to know.

Mr. Ball.—I am afraid I can't say.

President.—Would you communicate with the Bengal and North Western Railway and explain to them what the idea is?

Mr. Ball.—We have reduced rates to put the salt on the Bengal and North Western market. We are doing it now.

Mr. Mathias.—What is your present rate?

Mr. Ball.—Our present rate is 175 of a mile. What happened was after the war our rates were raised generally. The result was that we began to lose the traffic and Bengal and North Western Railway wrote to us and we went back to the pre-war rates. I have to write to them and find out in what way they would be affected.

President.—No one can tell at present. I should be very much surprised if the Bengal and North Western Railway didn't really fall into line with the other railways.

Mr. Ball.—It would not affect them. They have got the present traffic. They never raised their rate.

President.—For the through traffic which passes along their line and yours if they don't share with you?

Mr. Ball.—It won't affect them. All the traffic through East Indian would go *vid* Agra.

Mr. Mathias.—You said just now that you lost your traffic in Western Bengal when you raised your rate and you got it back again. It would be interesting to us if you could indicate whether the prices were a determining factor in inducing people to take a particular class of salt. I wonder if you could give us figures showing to what extent your traffic dropped and to what extent you got it back again.

Mr. Ball.—I don't know whether we have records. It was in 1923—6 years ago.

Mr. Mathias.—If you could give us a short note on the subject, it would be rather interesting.

Mr. Ball.—Yes.

President.—What are the transhipment charges? You will have to include the transhipment charges to the freight.

Mr. Ball.—It is only in certain commodities like coal that we make a special transhipment charge.

President.—So that when there is a break of gauge, there is no disadvantage.

Mr. Ball.—It is included in the freight.

President.—What about the minimum?

Mr. Ball.—If we go down to the minimum we will have to charge 2 pies a maund for transhipment. We are allowed to make that charge but we don't in most cases.

President.—Can you tell me what the scheduled rate is as regards gunnies?

Mr. Ball.—You mean gunny bags?

President.—Yes.

Mr. Ball.—·42 pie.

President.—Is it class rate?

Mr. Ball.—Yes, second class rate.

President.—You start at ·42.

Mr. Ball.—Yes.

President.—What does it come to?

Mr. Ball.—It is a flat rate. All our rates are except schedule rates.

President.—It affects the question this way. It is rather a minor point; still, it does affect the cost because you don't take it in bulk. There are objections to it and therefore it has to be bagged, and the gunny bags have to come from Calcutta.

Mr. Ball.—I think that the East Indian Railway will be perfectly willing to reduce the rate on wagon loads.

President.—In the case of sea borne salt they will bag it in Calcutta and it will effect a considerable amount of saving. On the other hand, in Khewra and other places, gunny bags cost a little more but then they have a better second hand price. Where the gunny bags are cheaper, they cannot have a good second price. Therefore I should like to know what reduction on wagon loads you would be prepared to make?

Mr. Ball.—I shall let you know afterwards.

President.—It is rather peculiar. In Calcutta bags can be had at Rs. 12-8-0, whereas in stations upcountry they have to pay as much as Rs. 30. That makes a substantial difference in the cost of marketing.

Mr. Ball.—Quite.

President.—I take it that it is not feasible at all to take the salt in bulk.

Mr. Ball.—I don't think that it has ever been considered. I don't think that the Salt Department would agree in the first place.

President.—Supposing the Salt Department raised no objection?

Mr. Ball.—The transhipment would be very awkward. It would be all right if it was through traffic and if there was no break of gauge.

President.—So far as Khewra salt is concerned, there is no break of gauge.

Mr. Ball.—No.

President.—So far as Sambhar is concerned there will be a break of gauge.

Mr. Ball.—That can be got over by bagging the salt at certain junctions.

President.—It would be shipped by one agency to itself or its agent.

Mr. Ball.—The salt could be bagged when it arrived at the destination.

President.—In that case some reduction in the cost of gunny bags could be effected.

Mr. Ball.—Yes.

President.—The rate of ·42 seems to be high.

Mr. Ball.—The lowest class rate is ·38 pie.

President.—A lower rate might increase the traffic in gunnies for they use rags sometimes because of the high cost, but apparently the jute trade has not asked for it.

Mr. Ball.—I am afraid we can't help the jute trade.

President.—I must say that we are pleased with the answers given because you have really met the situation without having to explain how much you are going to gain on the whole and how much you are going to lose. From what I can see you are prepared to take your chance of capturing the traffic.

Mr. Ball.—Yes.



THE JODHPUR DARBAR.

Evidence of Messrs. HIMAT SINGH, Revenue Member, Jodhpur State and M. M. SUMER CHAND, Superintendent of Salt and Excise, Jodhpur State, recorded at Pachbadra on the 12th December 1929.

(Mr. Hoyle and Mr. McIver were present.)

President.—You cannot commit your Government to anything, can you?

Mr. Singh.—No. I can only give you such information as we possess.

President.—This Pachbadra District was originally the property of His Highness the Maharaja of Jodhpur.

Mr. Singh.—Yes.

President.—It has been leased to the British Government.

Mr. Singh.—Yes.

President.—It is a perpetual lease, is it not?

Mr. Singh.—Yes.

President.—The British Government has got the right to do what it likes with it?

Mr. Singh.—Yes, for the manufacture of salt, subject to certain restrictions.

President.—For the manufacture of salt it can do what it likes?

Mr. Singh.—Yes.

President.—The State, I understand, is not interested in Pachbadra except to the extent to which it gets the royalty which is fixed, is that right?

Mr. Singh.—Yes, but the State is interested in Pachbadra in indirect ways.

President.—Yes such as getting freight to the railways.

Mr. Singh.—And share of profits.

President.—As regards a share of profits unless the British Government changes its policy entirely, there cannot be any profits, because they say that their policy is not to make any profit.

Mr. Singh.—We do not assume that this policy will be perpetual.

President.—I do not know. I am just telling you that that is the policy.

Mr. Mathias.—As regards your share, you are not entitled to a share of the cost price.

Mr. Singh.—No, only to a share of the profits.

President.—Unless, then, the British Government changes its policy, you cannot get anything direct out of it.

Mr. Singh.—I understood that they were making some profit at Sambhar, but I am not quite sure of it.

President.—There you share. As regards Sambhar whether they make a profit or a loss, you are on the right side.

Mr. Singh.—Yes, if they can make a profit at Sambhar, they can make a profit at Pachbadra.

Mr. Mathias.—They have been making a loss at Sambhar until recently.

Mr. Singh.—That is on account of the loading of the cost of production with a number of things.

President.—That is perfectly true. So far as Sambhar is concerned the question of profit or loss doesn't arise.

Mr. Singh.—No.

President.—Because you get a certain percentage of the sale price.

Mr. Singh.—Yes.

President.—If they give away the salt free, then you won't get your 40 per cent. obviously. Supposing the nominal price was one pice per maund, then you would get 40 per cent. of one pice.

Mr. Sumer Chand.—They would also get less.

President.—Here you get nothing except the profits.

Mr. Singh.—Nothing.

President.—If the Government made no profit, you cannot get anything. That is the position.

Mr. Sumer Chand.—Yes, so long as the British Government did not make any profit.

Mr. Singh.—We get nothing and our hope is that they should make profit by running it as a commercial enterprise to its full capacity.

President.—That is the idea. Government thinks that it is run as a commercial enterprise.

Mr. Mathias.—Subject to the principle that the salt must always be sold at cost price.

Mr. Singh.—My impression is that Government now treat Pachbadra as a reserve source only. They have no intention at all to carry on manufacture here.

President.—What is your contention? What do you want to do? As regards Pachbadra what is the view of your State?

Mr. Singh.—They would increase the production of salt at Pachbadra and capture the trade of Bengal.

President.—Capturing of the trade of Bengal involves many considerations. First of all to capture that trade, you must produce the kind of salt that is required in that market. The first consideration is quality. As you saw this morning there are different qualities produced here.

Mr. Singh.—The qualities sold in Bengal are not all uniform and I suppose our salt would compete with some of them at least in Calcutta.

President.—That is why Sambhar salt cannot penetrate that market at all, because of the variations in quality.

Mr. Mathias.—There are many kinds of salt sold in Calcutta. The quality of each variety is fairly uniform throughout the year. They don't get good and bad consignments from Aden. The Aden salt is fairly uniform.

President.—As regards uncrushed salt, there is no such thing as a uniform quality. You cannot have it, because the crystals are so different in different places. But as regards crushed salt it is possible to supply a more uniform quality. The whole point is whether this salt can be crushed. I just want to know how far the State would be prepared to assist the British Government or to produce the salt itself and sell it to the British Government.

Mr. Singh.—If Government asked us, we should be quite prepared to help the kharwals financially.

President.—The system of employing kharwals has led to very peculiar results. There is no control over quality and there is no control over the quantity. It all depends upon the sweet will of kharwals as to how much they will produce. Something more definite than that will be required if the British Government were asked by us to change their policy. The first requisite would be to get rid of the kharwal agency.

Mr. Singh.—Except as mere labourers.

President.—The first thing you have got to do is this: I don't mean that you should confiscate their rights such as they are. I don't suggest that for a moment, but if those pits which they own had to be worked, it would never do to entrust them with the working.

Mr. Singh.—There must be some sort of intermediate organisation, such as a big contractor.

President.—That is to say you have got to settle with the kharwals first. They may be making 1 anna 6 pies a maund or something like that.

Mr. Singh.—You mean we have to pay a royalty to kharwals and take over the property.

President.—And work the whole thing.

Mr. Singh.—We think a contractor could be found to do that and the State could assist him to reach a settlement with the kharwals.

President.—In that way you may be able to get control over the pits which already belong to the kharwals. The second question that arises is that the pits are so situated that really the question of transport is a very difficult one. You could not give them any communication by which the salt could be taken from the pits to the railhead. They are so scattered that you cannot. The next thing that you have to do is to relay the whole site of the pits.

Mr. Singh.—That would be done gradually by the contractor.

President.—Yes, that could be done gradually. Bada Samra is supposed to be the best.

Mr. Singh.—Chota Samra is the best.

President.—In this Bada Samra, there are a good many pits already.

Mr. McIver.—They are working on the Hiragarh Section.

President.—This morning which pit did we go to?

Mr. McIver.—No. 279.

President.—It may be possible to extract salt from the outer land (Shown in the map).

Mr. McIver.—Yes.

President.—You have got a very large area where you can relay the works.

Mr. McIver.—I could not say anything about the land. I do not know whether it will be suitable or not.

President.—What is the procedure? If a kharwal wants a particular site for digging a pit, it is given to him if there are no departmental objections?

Mr. Hoyle.—It is given to him by the State. We have nothing to do with the allotment of land.

President.—I am speaking of the new pits.

Mr. Sumer Chand.—We haven't got the disposal of land for pits.

President.—I am not talking of the existing pits. I am talking of the available area still left. Really somebody ought to tell me what the position is.

Mr. Mathias.—Can these pits be dug without any sanction? Perhaps no one gives the sanction. The kharwals simply go and dig the pits.

Mr. Hoyle.—We can authorise the people to dig pits.

President.—The point that I wish to investigate is how did these pits come to be dug without any reference to transport. No one seems to have made out any plan.

Mr. Sumer Chand.—They were dug on the sanction of Government.

Mr. Hoyle.—They were mostly dug a very long time ago.

President.—Is there any record of rights for these pits? How do you know who owns what pit?

Mr. Sumer Chand.—They have got a pit diary in the Salt Department.

President.—Diary is not a record of rights.

Mr. Sumer Chand.—The State has no record of rights.

President.—Has the British Government got a record of rights?

Mr. Hoyle.—We have a register showing which pit belongs to whom.

Mr. McIver.—It is only a pit diary.

Mr. Sumer Chand.—I have read somewhere in the manual of the Salt Department that if anybody wants to dig a pit, he must get the sanction of the department.

Mr. Hoyle.—That is so.

President.—There are nearly 1,000 pits old and new. How do you determine the ownership?

Mr. Sumer Chand.—That is in the register.

President.—Are the rights recorded from time to time?

Mr. Sumer Chand.—Yes.

Mr. Hoyle.—We have what is called a pit diary.

President.—What does it show?

Mr. Hoyle.—The register gives the names of owners of pits.

President.—It is a record of rights.

Mr. Hoyle.—Yes.

President.—What right does this confer on a man?

Mr. Hoyle.—It confers on the man the right to keep the pit to himself.

President.—And sell the salt to whom.

Mr. Hoyle.—To us. It protects him in the sense that his pit will not be worked by other people unlawfully.

President.—It does not protect him against the possibility of his pit being never worked.

Mr. Hoyle.—No.

Mr. Mathias.—What tribunal would try for instance the claim to a pit?

Mr. Sumer Chand.—The Hakim would decide, supposing there is the question of mutation of lands?

Mr. Hoyle.—It is a civil matter which will be decided by the Durbar.

Mr. Sumer Chand.—By the Hakim of Pachbadra.

Mr. Mathias.—Take a concrete case. One of the pitholders dies and his heir comes to have his right recorded and another man claims, who decides?

Mr. Sumer Chand.—The State decides.

Mr. Mathias.—And you send the Hakim's decision to the British Government for record.

Mr. Sumer Chand.—Yes.

President.—There are two points about which I want to be quite sure. As regards the sites I have just now pointed out that unless there is a realignment of these pits in such a way that the transport facilities are possible, the question cannot be further considered. That is a real difficulty. From there to the railhead you could not depend upon this sort of manual labour to keep it in heaps and take it on donkeys, camels and all kinds of things. That is one point.

It is important for us to know, supposing we came to the decision that the manufacture of salt ought to be encouraged in Pachbadra—we must be able to explain to the Government what the difficulties are and how they could be got over.

Mr. Singh.—They could be got over by the realignment of pits.

President.—There are two things in it which I want you to understand fully. The first thing is that the kharwal as a direct agency won't be satisfactory: that is to say Government could not depend on the kharwal for supplying the salt. It must be one person—either the State or some other person or body which the State recognises.

Mr. Singh.—I agree that an intermediate organisation like that of a big contractor might be created between Government and the kharwals.

President.—Who would work it? If any dispute arises as regards the rights of the kharwals, the British Government cannot take any liability naturally. You have got to settle it with the kharwal 'we will pay you a royalty if we are working it'.

Mr. Singh.—We should be quite willing to help in such a settlement with the kharwals.

President.—Royalty on pits to kharwals would depend upon the difference in the price that the kharwal gets and the cost and that he incurs as regards labour.

Mr. Singh.—Yes.

President.—That won't be a difficult matter.

Mr. Singh.—It will be very easy. They get a definite contract rate and spend a certain proportion of it. That is about 2/3rds and about 1/3rd. They get As. 1-6 on the average. They save 6 pies for the right of ownership of the pit.

President.—He gets a direct payment without doing any work.

Mr. Singh.—Yes. We pay compensation like that to our jagirdars also.

Mr. Mathias.—Half an anna would come to a very considerable amount.

President.—That would be payable to those who work the pits.

Mr. Singh.—Pitowners.

President.—That is a matter that must be settled.

Mr. Singh.—Yes, between the big contractor and the kharwals.

President.—Would the State be prepared to help in this matter?

Mr. Singh.—Yes.

President.—Then as I say there must be a realignment of the land.

Mr. Singh.—That is perfectly possible provided the Government agreed to increase the production.

President.—I am coming to that. You must get rid of the initial difficulty first. There is no objection to the railhead being taken forward. That you can do. The pits must be so rearranged that you can have an internal system of communication by which you can take it direct to the railhead. You always have to leave a space of 100 yards between two pits.

Mr. Singh.—Yes.

President.—In that way you would have plenty of space for running the line, but you cannot turn a railway at right angles. For that you will have to consult somebody.

Mr. Singh.—When we get a correct map, we will look into it.

President.—I think that the best thing for you would be to relay an entirely virgin area if possible, because, here you may have to make many alterations. If that can't be done, you must do the best you can with the existing pits. But they must be arranged in such a way that this sort of transport is possible. Do you see what I mean?

Mr. Singh.—Yes. It will mean the closing down of certain pits, not all, which fall in the way.

President.—You can easily fill them, because you have got all the materials, but it may be a long process.

Mr. Singh.—Yes, it will take time.

President.—Then you have to make arrangements for the internal transport. Of course if you adopt the same gauge as your railway then it will be simple. You don't have any difficulty. You will simply load it into wagons from the pits.

Mr. Singh.—It will be less costly to adopt the same gauge.

President.—In some of the works they have tipping wagons. That of course makes one more handling necessary.

Mr. Singh.—Yes.

President.—Supposing you were to crush the salt, you have got to take it to some central place for crushing.

Even there if you have the same gauge, I think there would be no difficulty. If it is the same gauge there should be no difficulty. You can use the same wagons to the mill as to the railhead, crush the salt and load it into the same wagon. That is the sort of scheme which you would be expected to submit before the Government could consider it. There may be very serious departmental objections which we do not know. We are only concerned with the commercial aspect of it. They may have political reasons or other reasons and so on with which we are not concerned. We will examine it simply from the commercial point of view. Then as regards quantity?

Mr. Singh.—I said yesterday that Pachbadra could go up to 50 lakhs.

President.—Obviously that 50 lakhs cannot be absorbed in the same market, if Sambhar also manufactures more. Therefore you have got to find your market outside. You must give us the minimum on which a contractor would be prepared to work out this scheme. As the market increases, more can be manufactured. But if you ask for 50 lakhs at once, Government may say that they haven't got the market.

Mr. Singh.—I have not worked out that figure, so I could not tell you off-hand.

President.—I am suggesting to you this: this scheme will cost money. Unless you got a certain minimum more or less guaranteed to the contractor, obviously he would not undertake the work.

Mr. Singh.—No.

President.—Would you please let us know the minimum quantity upon which a contractor would be prepared to put forward that scheme?

Mr. Singh.—Yes.

President.—Then of course comes the question of the price and quality. The question of price is not so easy as it looks. Up to now the policy of the Government has been to fix the price in such a way that salt is distributed in a certain area, that is to say in what may be called a local zone. It is fixed in that way. Take for instance Sambhar. It is fixed at a certain price and the price is a sort of *ex*-works. The result of that is the people in the nearer localities benefit entirely at the expense of people in the farther markets. Therefore you must give us the lowest price at which a contractor will be able to deliver this quantity that you think is the minimum at the railhead.

Mr. Singh.—That would depend on the quantity again.

President.—He must say 'this is the minimum quantity if we are to supply. This is what we would ask for if you wanted more.' Then Government can dispose of it as it likes. Do you understand?

Mr. Singh.—Yes.

President.—You would give it on the scale up to the maximum that Pachbadra can supply. You may say 'My minimum is 10 or 15 lakhs. If you want that, I shall charge you so much. If the quantity is increased, the price would be such and such'. But that must be the price delivered at the railhead.

Mr. Singh.—Yes.

President.—That is as regards price. If Pachbadra were to get the market in Bengal and if Government were to undertake the marketing or anybody else were to do it on Government's behalf, Government would require that your salt should conform to certain standard. So far as the

Bengal market is concerned, Government will not encourage any salt that did not conform to that standard.

Mr. Singh.—The standard could be guaranteed.

President.—If it is left to open competition, the chances are that the salt may deteriorate entirely as has been the case in Bombay, Madras and other places. Therefore would such a contractor be prepared to conform to the standard? Salt being a chemical, the standard can be easily prescribed.

Mr. Singh.—He would be prepared we think to conform to any standard which you may lay down.

President.—As regards these other markets, the question of quality is not an important one. It is a question of the size very largely and a little dirt or more or a little pink or blue or something else. That is what determines the quality in those other parts, so that obviously there would be two qualities, one for these markets and one for the Bengal market.

Mr. Singh.—There is something in a name. Probably Pachbadra has a reputation.

President.—We don't want to encourage names. We want to wipe them off if possible.

Mr. Singh.—Yes, subject to certain standards.

President.—As regards the local market it does not matter. You can keep the name if you like. It may be possible to do it. But as regards the Bengal market, we are not in favour of retaining these names, as at present advised, because they serve no practical purpose. So far as the Bengal and Bihar markets are concerned, in regard to crushed salt, it will be grade 1 or grade 2 and not Sambhar, Pachbadra or Aden salt. Will you have any objection to it?

Mr. Singh.—No.

President.—We have not gone far enough with experiments as regards this salt. Salt which you consider third class if crushed and powdered may be equal to first class.

Mr. Singh.—That is for the consumer to say.

President.—No, it is for the Government to say. The consumer will have nothing much to say under this scheme. These samples that you have given are extra special samples.

Mr. Singh.—We did not pick them. It is the salt department people that gave them.

Mr. J. Narayan.—You wanted the very best salt.

President.—The whole thing is in this quality of salt the size of the crystal does not matter, except to this extent that the salt with bigger crystals might be more expensive to crush, but it must be cleaner than that.

Mr. Singh.—I think it would be. You know that when we came to a place towards the end of our inspection in the morning, we found that the salt was cleaner than this although it was described as third class.

President.—There is far too much dirt in these (2nd and 3rd qualities) the colour may become white, but there is very much of dirt in it. When you crush it, it might look very dirty.

Mr. Sumer Chand.—There was one sample which we took last where the men were working.

President.—That was just taken out of water.

Mr. Sumer Chand.—Yes.

President.—You cannot always take it straight from the water to the mill.

Mr. Singh.—I think that the sample was not taken from the water, but from the heap.

President.—It has not been there very long. Only a few days ago it was put there. As there is no demand in this part of India for the kind

of salt with small crystals, you can separate the bigger grained salt from this.

Mr. Singh.—The bigger crystals are popular in the United Provinces, the Central Provinces and Bihar. In Rajputana it is not question of crystal. It is a question of cleanliness. The salt of Bada Samra becomes dirty if it remains longer in the heap.

Mr. Mathias.—You have been a Settlement Officer in your younger days.

Mr. Singh.—Yes.

Mr. Mathias.—You know the natural characteristics of this country.

Mr. Singh.—Yes.

Mr. Mathias.—Can you tell me whether this part is liable to dust storms?

Mr. Singh.—I think that if you divide Marwar into three zones, this would be the middle zones—not the worst and not the best.

Mr. Mathias.—I suppose it is worse than Sambhar.

Mr. Singh.—Practically the same; Sambhar is not the worst.

Mr. Mathias.—After the monsoon has ended, according to your experience, what would be the earliest month in which these dust storms occur.

Mr. Singh.—The dust storms are more frequent before the monsoon.

Mr. Mathias.—That is true. But I understand that they occur all the year round.

Mr. Singh.—Not dust storms, but ordinary storms.

Mr. Mathias.—If the monsoon has ended, what would be the earliest month in which it would occur.

Mr. Singh.—Say November—December.

Mr. Mathias.—It would not be towards the end of cold weather that they would become very frequent and violent.

Mr. Singh.—They would be frequent in March.

Mr. Mathias.—Is there any sort of regularity about them? Some years do you get heavy dust storms in November and in other years in January or February?

Mr. Singh.—March is supposed to be a fairly constant month in which storms occur. November storms are not so virulent.

Mr. Mathias.—But you could not say in any particular season that there is going to be any dust storm just as you can say that there is not going to be any rain in January in this part of the country.

Mr. Singh.—No.

Mr. Mathias.—Would not the colour of Pachbadra salt vary to some extent according to the nature of the year in the matter of dust storms?

Mr. Singh.—Yes, to a certain extent.

President.—It is very difficult to say. Are there any meteorological data about these dust storms.

Mr. Singh.—None at all.

President.—We were told by the manufacturers in Karachi that there were no dust storms to speak of. I asked some of the officers and they said 'yes, heaps of them'. They had at certain times of the year land breeze which did not blow in these dusts, but I understand that so far as the Pachbadra salt is concerned, you can let it remain in the pit without getting it spoiled. As regards the sea salt, you cannot keep it in the pans, because other salts begin to come in, is that right Mr. McIver? It doesn't matter how long the salt remained in the pits, the salt would not deteriorate.

Mr. McIver.—I have not known of any deterioration of salt in these pits.

President.—As regards Sambhar for instance if you allow it to remain for long, you would get impurities and other salts.

Mr. McIver.—You would get other allied salts.

President.—In these parts the salt does not deteriorate.

Mr. McIver.—You may get salinite with it.

President.—At what strength?

Mr. McIver.—In the ordinary process of manufacture you may get gypsum in the pits.

President.—Mr. Strathie states that it does not get spoiled even if it remained indefinitely.

Mr. Mathias.—As regards the dust storms, you can tell me one point. Supposing you get a very violent dust storm when the salt was in the process of formation in the pit, would that be deposited in the salt at all? Would it affect the colour of the salt?

Mr. McIver.—It would to a certain extent with the salt in formation.

President.—Mr. Strathie says: "Two hot seasons are normally required for the precipitation of all the salts which the average pit is capable of containing, but the crop in no way suffers if it is kept longer and indeed keeps better so than stored in heaps exposed to the severe sand storms so frequent in the source".

Mr. McIver.—It would keep better under water.

President.—It doesn't get spoiled in the water.

Mr. McIver.—It won't be spoiled in the water.

President.—You would not get these chemical impurities that you get say in the Kharagodha salt. If you let it remain for long, it would be full of magnesium chloride.

Mr. McIver.—We don't get that here.

President.—The magnesium chloride would increase.

Mr. McIver.—Yes, because the longer the salt remained the higher the density.

President.—What happens to the calcium sulphate? Is there much of it in the brine?

Mr. McIver.—No.

President.—If you perhaps allowed it to remain in the pits and took it out and did not allow it to remain for long in the heap, then the dust storms might not do as much harm as they otherwise would.

Mr. McIver.—When these dust storms would be coming on, we would never be able to foretell.

President.—You could not I agree. Take March for instance which would be a bad month when you would have a series of dust storms.

Mr. McIver.—Our object here has been to do our extraction and finish it by March, so that the salt might be put in a heap. When the storm comes, only the outer covering would be affected, but we have been compelled to carry on extraction right away into June.

President.—As regards this fine salt: no one can say when a storm is going to come: that is perfectly true, but if the more severe storm are seasonal, they can protect themselves against them to a very large extent, can't they?

Mr. McIver.—I daresay they would.

President.—For instance if this kind of quality of salt really was crushed, it might be possible to put it in the Bengal market. It can be crushed soon after it is dried and there is no necessity to keep it there.

Mr. McIver.—Yes.

President.—You have got bigger and smaller crystals. You have a definite market for big crystals, and no market for small crystals. The market does not like it. That is the evidence we have got. So it might be possible for you to separate these two and sell the big crystals in the market and crush the other, might it not be possible?

Mr. Singh.—Yes.

President.—By sifting.

Mr. Singh.—It would be less costly to crush this provided it would serve the Bengal market adequately.

President.—You can separate it by passing it through the sieves. It would require mechanical appliances.

Mr. McIver.—Yes, you want something very big for it.

President.—That cannot be done in the mill itself. As the salt is taken up, the bigger and the smaller lumps should be separated. The smaller lumps should be put into the mills and the bigger lumps thrown out. That is a point that you would have to investigate for yourselves. I am not an expert and cannot advise you. Would the State be prepared to help in making this experiment?

Mr. Sumer Chand.—What would be the use of our making the experiment? It is the duty of the purchaser.

President.—The purchaser will say 'Give us this quality of salt'. He does not want this salt for that market. He wants very fine grained salt.

Mr. Singh.—If Pachbadra were to supply crushed salt to Bengal, some sort of experiment to find out how best to do it will be necessary.

President.—For the Bengal market it is essential.

Mr. Singh.—There is one point about the possibility of Pachbadra salt being able to capture the Bengal market and that is that unless it gets special freights, it may not be able to do it.

President.—We have not gone as far as that. That is a point we will have to consider later on. The first point is the production, *i.e.*, the quantity, the quality and the price.

Mr. Singh.—A big contractor can guarantee to supply the quality of any standard that you may prescribe and I think he will be able to produce any amount of it. After seeing what I have done to-day, I am prepared to say that we can produce more than 50 lakhs of maunds quite easily. 50 lakhs we could give next year almost from the existing pits.

Mr. Walker.—That is on to-day's experience?

Mr. Singh.—I have never seen it before. If we dug up more pits, we could go up to any amount.

Mr. Walker.—You said that you were a settlement officer. Didn't you go round this place before?

Mr. Singh.—I never came here before. There were no land revenue questions to settle in Pachbadra salt works.

President.—As regards freights I understand that there are at least three railways sections before you can get to Bengal and Bihar from here your own section, the Bombay, Baroda, the Bengal and North Western or the East Indian.

Mr. Singh.—Yes.

President.—Until they agree amongst themselves as to how they are going to divide the freights, it would not be a commercial proposition at all.

Mr. Singh.—It would not be a commercial proposition in any case unless there were reduced special freights for Pachbadra salt.

President.—The special freights come in where you are concerned in your own section.

Mr. Singh.—On all sections.

President.—That is perfectly true. The most important scheme from Pachbadra's point of view is your own.

Mr. Singh.—That is one of the important points.

President.—That is the most important.

Mr. Singh.—It is about 200 miles from here, 300 to 400 miles on the Bombay, Baroda and Central India Railway and 300 to 400 miles on the Bengal and North Western Railway (and another 500 miles) before you go to the Northern and Western portion of Bengal.

President.—If you are to go by the East Indian Railway you have to go as far as Agra to reach the Bengal and Bihar markets.

Mr. Singh.—Yes.

President.—What is the distance between Sambhar and this place?

Mr. Sumer Chand.—257 miles.

President.—The distance between Sambhar and Cawnpore is 350 miles. The distance to Cawnpore is 600 and odd miles and the freight is As. 8. Is that a reduced freight. The freight from Sambhar is As. 7 and the freight from Pachbadra is As. 8.

Mr. Hoyle.—There is a difference in the price of salt for it costs the same to the purchaser at Cawnpore whether the salt is from Pachbadra or Sambhar.

President.—Because the Sambhar price is one anna higher than the Pachbadra price.

Mr. Hoyle.—The difference is 9 pies.

President.—What is the price of Pachbadra salt?

Mr. McIver.—As. 4.

President.—I am talking of the new price.

Mr. McIver.—Yes, the new price is that.

President.—Sambhar is As. 5 and Pachbadra is As. 4. That is to say you are on the same footing as far as Cawnpore.

Mr. Hoyle.—Yes.

President.—We are examining the Bombay, Baroda and Central India Railway Company and we are also examining the East Indian Railway, but the Bombay, Baroda are about as low as they could come.

Mr. Singh.—For whole train loads, they might give us special rates for certain stations only.

President.—The train load does not come in at all. It is a mistake to take a train load unless there is a demand for a train load in that market, otherwise it means that they have got to carry it to other markets. We don't believe in this sort of taking it to Cawnpore in train loads and distributing it from Cawnpore to Lucknow and other places and the railways very often find it easy to take wagon loads rather than train loads.

Mr. Singh.—Unless Pachbadra had some sort of concession for carrying salt to Bengal, it would probably never compete.

President.—We cannot ask for a concession which from their point of view would involve them in a loss. If they got additional traffic, they might make a substantial reduction to get that new traffic.

Mr. Singh.—This will be new and extra traffic.

President.—Not necessarily so. It may be an extra traffic from your point of view here, but take the East Indian. The East Indian might well say that they carry now the imported salt from Calcutta to those places and that they might lose that. That is how they might look at it. It is an extra traffic for the Bombay, Baroda and the Jodhpur Railways. It may not necessarily be an extra traffic beyond a certain point on the East Indian.

Mr. Sumer Chand.—Beyond a certain point it might not be. It would be an additional traffic up to a point from which there would only be very few stations to Calcutta.

President.—No, quite a long distance. They bring their salt up to Patna.

Mr. Singh.—If the Jodhpur Railway could give reduced rates without suffering any loss, I suppose the East Indian also could.

President.—The Jodhpur Railway gets every time new and additional traffic, but the East Indian does not.

Mr. Sumer Chand.—The Bombay, Baroda also will get new and additional traffic.

President.—The two railways that would get additional traffic are the Jodhpur Railway and the Bombay, Baroda. The East Indian Railway may or may not get any extra or new traffic.

Mr. Singh.—It may get from Agra to Patna.

President.—East of Patna it would be losing it present traffic.

Mr. Sumer Chand.—Yes.

President.—Therefore it is these two railways that must come forward and say ' Now we are going to get this additional traffic on our sections, we would give these reductions '. You are in a better position to negotiate with the Bombay, Baroda, because you work together to some extent.

Mr. Singh.—That concession would not go very far unless we got a reasonable reduction on the East Indian Railway.

President.—For one thing the East Indian Railway is a Government Railway. Therefore it may be possible for Government to induce the East Indian Administration to fall into line, but it cannot compel the Jodhpur or the Bombay, Baroda Railway in that way. Therefore the first thing to do is to get an idea of what the Jodhpur Railway and the Bombay, Baroda would be prepared to do within their sections before you touch the East Indian or the Bengal and North Western. Do you see my point?

Mr. Singh.—Yes. What we wanted to know was whether the Board would be prepared to recommend that the Pachbadra salt would be deserving of a concession from the Bengal and North Western and the East Indian Railway.

President.—We are enquiring into that. For your salt to go to Bihar by Bengal and North Western, to which station on the Bombay, Baroda and Central India would you send?

Mr. Singh.—From Cawnpore it would go *viâ* Gorakhpur.

President.—This would very largely depend upon the proposals put forward.

Mr. Singh.—All these proposals would be interdependent. The proposals would be subject to railway concessions.

President.—You are not concerned with that in the kind of scheme we have been considering. You are not concerned with marketing. The produce at Pachbadra will sell it to Government and it is not a question of going direct to the Bengal market. He simply hands it over to Government or to somebody named by Government provided the price is suitable and the quality is good. Therefore so far as Pachbadra is concerned, you need not go into the question of freight. The produce will give it f.o.r., here at Pachbadra. You are concerned with these points that we were discussing a little while ago, but I take it supposing the Jodhpur State helped in this question, it would not be with the idea of making any money out of it directly. For the indirect advantages, probably it would do the work.

Mr. Sumer Chand.—Yes: if Government desired, they could find a contractor to undertake production.

President.—It is for this contractor to say, as I said before, whether he is prepared to give so much salt and guarantee the quality at such and such a price and so on. When that is done, the British Government or its nominee or somebody else would consider whether that quantity can be marketed and where. Then they will arrange for freights and markets.

Mr. Singh.—My apprehension is that Government would not be able to find markets for a large quantity of Pachbadra salt, unless Government were able to carry salt at very much reduced rates, so the quantity would depend on freights.

President.—You are not concerned with freights. Government will only take that quantity that you say is the minimum if it finds that it can market it, is it not?

Mr. Singh.—We want Government to explore all possible avenues of increasing the production and finding larger markets for the Pachbadra salt.

President.—Government has got its other sources also, such as Khewra. What you want is increased production. You cannot expect the Government to give you any market at its own expense. For instance you cannot expect Government to close down Sambhar and give you that market.

Mr. Singh.—We are interested in Sambhar quite as much as in Pachbadra.

President.—In fact you make more money out of Sambhar than you are likely to do out of this. That is not the point. Of course Government would buy more salt, if there is more market. But so long as you keep your minimum, with the chances of the production being increased with the increase in demand, you have no reason to complain.

Mr. Singh.—No.

President.—Therefore it is on that footing I wish proposals to be made that is on the general outline I have given you. We must have them as soon as possible.

On these three or four points there should be no mistake—the kharwal, the realignment, inter-communication, price, quality and quantity. If a higher price is asked for than you are actually getting at Pachbadra, it might be a difficult proposition.

Mr. Singh.—It cannot be higher than As. 4.

President.—You have got to say how much can be supplied and at what price. I think Government allows 10 per cent. for supervision.

Mr. Mathias.—You haven't got that system here because As. 4 includes the cost of supervision and establishment. Therefore the price which Government could, if it accepted any such proposal, offer to a big producer would be As. 4 less cost of supervision and establishment which would still presumably be continued.

Mr. Hoyle.—Yes.

President.—In Madras, Bombay and Karachi, provided the cost of supervision does not exceed 5 or 10 per cent. of the duty which the Government gets, Government charge nothing. There is no reason why they should make a departure from that principle. It all depends on what system Government adopts. If they adopted the Bombay system for instance, there it is 5 per cent. If you make 100 maunds of salt, Government will get Rs. 125 as duty. In Madras if it does not exceed Rs. 12-8-0 Government charge nothing.

Mr. Singh.—Nothing for what?

President.—Nothing for supervision. In Bombay it would perhaps be Rs. 6-4-0. Supposing 10 or 15 lakhs of maund are made here, Government would get about 12½ to 18¾ lakhs of rupees. The cost of establishment should not be more than 10 per cent. of that.

Mr. Singh.—Can Government forego that?

President.—That we don't know. If we are given a price without taking into account the cost of supervision, we will see what we can do with it.

Mr. Singh.—Yes.

THE JODHPUR DURBAR.

Evidence of Mr. MANU SUBEDAR recorded at Bombay on Thursday, 6th February, 1930.

President.—Mr. Manu Subedar, do you hold any office in the Jodhpur State?

Mr. Manu Subedar.—No. I am merely their technical adviser on the complicated economic issue which has arisen. I tender them advice in my professional capacity.

President.—Technical in its economic aspect not in its technical aspect?

Mr. Manu Subedar.—No, neither in the political aspect nor in the actual chemical side.

President.—It is a pity you were not able to come with us to Pachbadra. Have you been there at all?

Mr. Manu Subedar.—No.

President.—It is very important that you should see this place in order to visualise what the requirements are if manufacture is to be undertaken on a large scale.

Mr. Manu Subedar.—When I went to Jodhpur, we had long consultations with the kharwals.

President.—You cannot get any idea from the kharwals of what the place is like. Have you read the evidence given by these officers?

Mr. Manu Subedar.—Yes, I have.

President.—Have you any authority to give the information that we asked for then.

Mr. Manu Subedar.—You have asked for the cost of production.

President.—We have asked for many things.

Mr. Manu Subedar.—You asked, as far as I recollect, whether it would be possible to re-organise the whole place.

President.—It is possible to reorganise the place: that any one can say. What I wished to know was what contribution the State was willing to make towards reorganising the place.

Mr. Manu Subedar.—May I make a little statement on the subject? Having read the evidence which came up from there I put myself in communication with the State with regard to these points which you are raising. The first point will affect the Treaties made in 1870 and it raises some political issues which I am sure neither the Tariff Board nor myself have any desire to go into.

President.—It does not involve any political issues nor is it a question of changing the Treaties. That is what I want you to understand as regards Pachbadra, assuming that we found that the salt of the quality required in the Bengal market and some parts of Bihar could be produced at Pachbadra, what we are dealing with is entirely the commercial aspect which has nothing to do with the Treaties. As you know there are three things, first the quality, secondly the cost and then the quantity. You will admit that the kharwals really speaking are not the proper agency to guarantee the quality nor the quantity.

Mr. Manu Subedar.—I admit that.

President.—As regards the cost also if you use them as the sole agency to manufacture salt you will agree, I think, that would not be a good agency, even from their point of view.

Mr. Manu Subedar.—They will want a lot of supervision if that agency is continued and perhaps weeding out the more inefficient of that lot.

President.—And you would require re-alignment of the whole area. It was on that point that I asked the State whether they were prepared to do it.

Mr. Manu Subedar.—May I point out the difficulties of the State in this case? While they are the proprietors of these works, the works are leased out to the British Government Salt Department and any opinions they may express here are merely in order to stimulate enquiry into the subject at the hands of the Tariff Board, the Railway Board and the Salt Department, but as regards any active participation, the State cannot do anything unless called upon to do so by the Salt Department.

President.—That is not the point. We can't make any recommendation. We are not going to say that the Salt Department must ask the Jodhpur State what it is going to do. You have the Salt Department in these areas. Why should this Board then say that the Salt Department must apply to the Jodhpur State and then the Darbar will tell them what they are prepared to do?

Mr. Manu Subedar.—The State, if called upon by the Salt Department, might assist in finding a contractor who will conform to the requirements as to quality and quantity, which may be laid down, and who would agree to receive a specified price. If such a contractor required assistance, for example, by way of a financial advance, I am sure the State might help such a man, because it is going to increase employment in their territory and it is going to give some indirect advantage to the State in the matter of railways.

President.—There is this about Pachbadra. It is a peculiar case, that as far as I can understand the British Government has taken the whole of this area on lease.

Mr. Manu Subedar.—Yes, it is a perpetual lease.

President.—But really the property belongs to the State subject again to the rights of the kharwals?

Mr. Manu Subedar.—I may say that the matter of kharwals will not be very difficult to adjust.

President.—Whether it is difficult or not, we cannot ask the British Government to do anything which might create trouble. That is where the Jodhpur State comes in. Is the Jodhpur State willing to conciliate the rights such as there may be of the kharwals with what the British Government may propose to do as regards the manufacture of salt on a large scale?

Mr. Manu Subedar.—I have authority of the State to say that they would do it.

President.—And the kharwals would not be any impediment?

Mr. Manu Subedar.—No.

Dr. Matthai.—What is the sort of right the kharwals have now against the State?

Mr. Manu Subedar.—Their rights arise merely from the fact that they spent money on labour for digging pits and they spend money for renewals and for cleaning the pits. The rights arise entirely out of this.

Dr. Matthai.—They are equitable but not legal?

Mr. Manu Subedar.—That is so. Nor do I think that the total amount sunk by them, for which they would be entitled to compensation, would be serious. They have no remedy if the pits were not worked. If there was merely a realignment, it might be inconvenient, but would not be to their ultimate disadvantage. In any case larger development would give them opportunities, which they do not have at present.

Dr. Matthai.—Would the State be prepared to deal with it?

Mr. Manu Subedar.—Yes.

Dr. Matthai.—Have you got authority to say that?

Mr. Manu Subedar.—Full authority.

President.—They have got two kinds of rights in a way. They claim some sort of proprietary rights in the land itself and they also say that they are entitled to work the pits and make some profit on the working. Will the State be ready to take over whatever liability there may be in respect of the kharwals, that is to say the British Government will have nothing to do with it, and that for any trouble that might arise there the Jodhpur State will be entirely responsible.

Mr. Manu Subedar.—When you say "take over all liability" I take it it would be part of a scheme involving large scale production. In that case the State will be prepared to take responsibility. The dispossessing of the kharwals must not arise in itself, but should come about as a scheme for a larger production. It will all depend on the nature of the programme proposed to be put into operation. Their claims in equity would have to be examined.

Dr. Matthai.—When it comes as a scheme for larger production, how does it make the problem of the State as regards the kharwals any easier?

Mr. Manu Subedar.—Because the kharwals may get other opportunities in place of those taken away. Because the State in that case would derive larger revenue from larger operations and therefore from the financial point of view they will not be seriously out of pocket, if they have to deal with the kharwals.

Dr. Matthai.—Am I right in thinking that under the Treaties at present any increased production of salt would not give greater revenue to the State?

Mr. Manu Subedar.—The wording is extremely loose and is capable of being interpreted differently from what the present interpretation is.

President.—The point is this: assuming that the Government of India does not want to make any profit at all out of the manufacture of salt. Then what is your position?

Mr. Manu Subedar.—It would be a matter of negotiation between the State and the British Government. Assuming that it was declared by the British Government that they will not work these works at a profit, then as the Jodhpur State has been given in lieu of royalty a share of the profits, some kind of royalty may be discussed, may be negotiated.

President.—What royalty?

Mr. Manu Subedar.—On the same basis as there is in Sambhar.

President.—I am coming to that presently. It is the worst bargain that has ever been made by the British Government. Sambhar is a very different proposition. Let us stick to Pachbadra. What the British Government says is "It should not make any profit." But, supposing Government takes the salt at a fixed price which might include the profit of the manufacturer, that I mean is not impossible. Supposing the Jodhpur State, is that agency to supply the salt at a fixed price?

Mr. Manu Subedar.—Being proprietors they have leased it out. I should like to make the position of the State quite clear on the subject. They are proprietors and they have leased it out to the British Government under Treaties as old as 1870. Neither the State nor the British Government desire to set aside these Treaties. There cannot be, therefore, any question of the State taking over the works and producing salt.

President.—No.

Mr. Manu Subedar.—The position is entirely governed by treaty arrangements.

President.—There is no question of treaty. The British Government can employ any agency.

Mr. Manu Subedar.—They can employ a private contractor. We are there to help such a contractor to encourage larger activities in our territory.

President.—Will the State be satisfied only with that? There should be no question of any profit beyond that. Will the State be satisfied?

Mr. Manu Subedar.—The profit comes to us under the treaty. If there is no profit—there has been none for many years in the past—and we haven't said anything about it. If there is no profit in the future, it is possible the State may not make that a major issue in any way.

President.—The whole point is this: if the British Government is to decide to put this salt into a new market, there must be, as I say, these three things, that the quality must be guaranteed, the quantity must be guaranteed and the price must be such that the salt can be marketed without a loss and as far as I can see at present the State has not put forward any scheme.

Mr. Manu Subedar.—Our difficulty in putting forward the scheme was that the State could not undertake the manufacture of salt under existing arrangements unless called upon to do so by the Salt Department. We could not therefore as State put forward any active scheme.

President.—I put it to the State officer in that examination. If you want to deal with the Salt Department deal with it. If you wish to deal with the Salt Department through the Tariff Board, the Tariff Board must be supplied with all the materials on which to make its proposals.

Mr. Manu Subedar.—May I then state what will be possible for the Jodhpur State to do?

President.—That is what I want to know.

Mr. Manu Subedar.—What would be quite possible for the Jodhpur State to do is that if the Salt Department said that they were willing to let this works out to a private contractor, I am sure the Jodhpur State would find a contractor who will be willing to undertake the production, who will be willing to satisfy the demands with regard to quality, with regard to quantity, and who will be willing to do it at a fixed estimated price.

Dr. Matthai.—Do I understand that even if there was no question of the Jodhpur State getting any profit directly from the salt, the development of the industry providing occupation for the people and traffic for railways would be sufficient inducement for the Jodhpur State to render this assistance?

Mr. Manu Subedar.—If there was profit to Government, they would claim it under the treaty. If there was none, the other interests are sufficient to induce them to undertake what I have mentioned.

Dr. Matthai.—The fact that the Jodhpur State is making this representation, I take it, is based at present at any rate on the incidental advantages of developing the Salt industry in the State.

Mr. Manu Subedar.—Yes. The incidental advantages are many, because their population gets labour or employment. Their railways get handling of these goods and generally there is incidental development. There are larger imports of other commodities in the State for the consumption of the larger number of labourers and so on.

President.—At present nobody can tell what Pachbadra can produce on an average.

Mr. Manu Subedar.—During the last two years the production has gone up to 16 lakhs.

President.—Yes.

Mr. Manu Subedar.—As against the average of some years which was between 2 to 3 lakhs.

Dr. Matthai.—Has it gone up to 16 lakhs?

Mr. Manu Subedar.—Yes during the last two years. We estimate that there should be no difficulty in reaching 40 lakhs, though if pressed I think Pachbadra could go up to 50 lakhs.

President.—That is the opinion of people who judge from the production of only a certain number of pits working within that area and they multiply the production of each pit by the number of pits. That is a very different thing.

Mr. Manu Subedar.—Not only that.

President.—We want to know whether there would be sufficient amount of brine available every year for the production of 40 lakhs or 50 lakhs. On that I have been looking for some evidence and I could not get it. You have not adduced any expert opinion as to the quantity of brine.

Mr. Manu Subedar.—I shall make a note of it. On this you would want the opinion of an expert?

President.—Yes. First of all we must be satisfied as to what is the maximum production that you can obtain normally per year.

Mr. Manu Subedar.—Would you not prefer to put it like this "What is the minimum that a contractor could guarantee"?

President.—What is the minimum on which the scheme could be worked.

Mr. Manu Subedar.—100,000 tons.

President.—If it fails, then the Government simply closes it down. Your cost and your price must be fixed on that production.

Mr. Manu Subedar.—Yes.

President.—Would you be prepared to do it?

Mr. Manu Subedar.—We would be able to find a contractor and if necessary finance him to do this work.

President.—Then the question would arise as regards quality. We can provide for it.

Mr. Manu Subedar.—Yes.

President.—As regards freights we are examining the Bombay, Baroda and Central India Railway to-morrow. We have examined the East Indian Railway. It will all depend on what the railways are prepared to do in connection with any new traffic that they may get.

Mr. Manu Subedar.—May I put in a word here? I will draw your attention to the two tables given in the statement, one on page 6 and one on page 8.

President.—I have gone through them. We can't proceed on that basis.

Mr. Manu Subedar.—From these two tables it will be evident that Pachbadra salt is at a disadvantage compared to the foreign salt of certain amount per maund. If you proceed on the orthodox method of levying duty on imported salt, then the freight question which has naturally assumed a big proportion in our representation would not be so important.

President.—Let me tell you that it is very unlikely that we should proceed on the orthodox system.

Mr. Manu Subedar.—Anticipating that it was unlikely, we have put forward this scheme of special station-to-station freights.

President.—Those figures are all right as illustrations, but the premises are not right.

Mr. Manu Subedar.—We have shown the extent which would enable us to reach out there.

President.—Quite true. If the railways did so and so, to that extent the premises as I say do not hold good. Therefore we have got to find out what freight this salt can bear and whether the railways will be able to accept those freights. What I am asking you is this: that first of all assuming that you are given a market of 100,000 tons, what is the price f.o.r. works which you would be prepared to quote.

Mr. Manu Subedar.—The illustrative cost is what we have put in on page 3 of the memorandum.

President.—You give As. 3-9.

Mr. Manu Subedar.—We have given As. 3-10. I think to this may have to be added another couple of pies in respect of incidental charges.

President.—As. 4 for crushed salt?

Mr. Manu Subedar.—Yes. As. 4 would be the actual out of pocket cost, which would leave nothing for the contractor who would also expect something.

President.—What is the price at which it can be marketed? Because the point is this that so far as Pachbadra is concerned, if it is developed merely for a foreign market there is no home market in which you can charge higher price.

Mr. Manu Subedar.—No, there is a home market where the goods are at present going. Whether this home market should be supplied by other markets or not is a decision which rests with the Salt Department and not with any third party.

President.—Therefore we don't know.

Mr. Manu Subedar.—Quite so.

President.—The point is, supposing there is a home market, then the price must be so averaged that on the whole you realise this price at the works.

Mr. Manu Subedar.—Certainly.

Dr. Matthai.—On what sort of output have you worked out this cost of As. 3-9?

Mr. Manu Subedar.—On an output of 40 lakhs of maunds.

Dr. Matthai.—How do you get this estimate of 40 lakhs. There are 1,000 pits which are worked by rotation.

Mr. Manu Subedar.—Production is prolonged to 18 months at present, but it is capable of being cut down to between 6 and 9 months.

Dr. Matthai.—Assuming that all the 1,000 pits are brought under production, that means 500 pits would work in one year.

Mr. Manu Subedar.—The rotation is forced on them. It is unnecessary. At present the quantities demanded are so small for many years in the past, the kharwals have been barely keeping their organisation going.

Dr. Matthai.—What kind of output are you assuming?

Mr. Manu Subedar.—About 10,000 maunds per pit.

Dr. Matthai.—That is rather in excess of anything that has been done so far.

Mr. Manu Subedar.—They have been producing about 10,000 maunds, because they are using only 150 out of the 300 for one crop in 18 months. What we propose should be done in future here is to use the pits not alternately, but continuously and not to take the crop in 18 months, but to take it in 8 or 9 months.

President.—That was what I was suggesting to these people, but they said that it could not be done.

Mr. Manu Subedar.—These are very ignorant people and I don't think they have fully realised what the Tariff Board is and what the nature of the enquiry is. When I called them at Jodhpur they were very much frightened as to whether this was not a device of Government Officers trying to reduce the little money which was being given to them per maund and we had to pull them up several times to get correct facts from them.

President.—That is another thing. You have not got enough data as to what the cost would be, because as I say, they depend on the process. I think I pointed out that whether they take 18 months or 9 months, that might at once affect the cost.

Mr. Manu Subedar.—That will affect the handling and other costs.

President.—That is one thing and secondly if the whole area were properly laid out and you had mechanical transport within the area, that might also affect the question of cost whereas you have taken only the question of manual labour into account.

Mr. Manu Subedar.—No. If you will see page 4, you will find that in that case I have made provision for an additional outlay.

President.—You have added overhead.

Mr. Manu Subedar.—Yes.

President.—But you have not made any reduction for the handling of the material.

Mr. Manu Subedar.—Because just as there would be a saving on some of these items, there may be some incidental charges to be added. Thus the whole output would have to go to the crushing plant.

President.—The handling charges that you have taken into account are based actually on the manual handling charges that have been incurred to-day.

Mr. Manu Subedar.—Yes, actually what is being paid out to kharwai.

President.—That is where the point comes in. If you use mechanical appliances, all these figures may require modification.

Mr. Manu Subedar.—They may be reduced.

President.—Yes.

Mr. Manu Subedar.—We have therefore tried to be on the safe side.

President.—A difference of one anna or half an anna may make all the difference to the scheme, because it is taken in conjunction with the freight. Supposing you can sell it at three annas a maund, you may be able to get the whole of that market. But if you stick to As. 4 you may not be able to get any market. Therefore it is very important to find out what is the price at which you can sell the salt.

Mr. Manu Subedar.—A certain amount of uncertainty must remain as you say. It must remain until the actual production takes place. So far as the estimate of the price which I have put forward is concerned I think with another 3 pies for the contractor, that is As. 4-3, we can find a contractor who will be willing to undertake the job, subject to penalties if necessary.

President.—If you are prepared to do business on this footing that, you hand over the salt to a selling agency and that selling agency realises for you the best price that it can and gives you the net whatever it is, then it is all right at the works.

Mr. Manu Subedar.—Would such a net price be less than the out of pocket costs?

President.—No, it cannot be so.

Mr. Manu Subedar.—It ought to cover them.

President.—Are you prepared to take the risk?

Mr. Manu Subedar.—We would certainly be prepared to help with finance an experiment of this kind for 5 years or three years.

President.—You don't market the thing yourself at all, but you hand it over to another agency to market the thing and they say "All right, our idea is to put into the market the salt that is cheapest for that market."

Mr. Manu Subedar.—Quite so.

President.—"We will put this salt into the market. Then we will take our freight charges, and will hand over to you whatever remains."

Mr. Manu Subedar.—Would you put the residual loss on us or on that agency.

President.—We don't know. You are not able to quote us.

Mr. Manu Subedar.—I am able to quote you As. 4-3.

President.—That is a rate at which you would get 100,000 tons. Then the whole thing falls through. Are you prepared to say "We give the marketing business to this agency and we shall be satisfied if they market it and give us the net proceeds provided they are not less than As. 3 or whatever it is."

Mr. Manu Subedar.—You would certainly limit the amount of loss?

President.—They will know it this way. The minimum that you ought to get is 3 annas. They will market it in such a way that on the whole realisations you get 3 annas, but not 4 annas. You may get 4 annas also. That is how these big trusts are worked.

Mr. Manu Subedar.—It is a matter of relative advantage and we would want to know the whole scheme before we can say anything.

President.—The whole point is this. Take the oil industry which is a very interesting example. There are three or four companies and one company markets the oil. They fix the price in such a way that at the *ex*-main installation they get so much or *ex*-refinery they get so much.

Mr. Manu Subedar.—Yes. I am quite familiar with the examples or pools in which a minimum reaches the producers and with regard to any excess they share it out. But you will also grant the elementary principle of production that no works can run for a long time at a loss and if our actual out of pocket expense is going to be 4 annas 3 pies, we can only run it at a loss during the experimental stage that is for a year or two expecting to make full recoveries in the following years.

President.—It is for that reason that I am telling you. We have not got enough data.

Mr. Manu Subedar.—I agree.

President.—Therefore you have to experiment. You have to experiment as regards your costs. The marketing agency has to find out the proper legitimate market where this salt can be marketed. The marketing organisation cannot and will not take the risk but the producer might, if he finds that it can be done.

Mr. Manu Subedar.—The producer would take the risk for a year or two. Certainly the State would be able to satisfy the contractor that the risk must be taken and to make good to the contractor if he is very much on the wrong side in the first year. But would it not be possible for the selling agency to take our actual price from our accounts and to say "This is your cost. You will get nothing over this unless we find after a year or two you are able satisfactorily to supply a particular zone and if you are able to do so, you will get something over this."

President.—Here we are dealing with a very peculiar commodity like salt. We are all politicians in a way. The idea that we are working up to is to bring down the average price of salt if possible by putting into each market the cheapest salt that can be got, so that there is no question of your getting what is ordinarily regarded as the economic price. Supposing you were to charge the economic price at Pachbadra or Sambhar you would be entitled to charge the price of the salt which you would bring from the nearest supplying source, but we are not doing that.

Mr. Manu Subedar.—I quite understand that if there is a scheme for stabilisation and equalisation, then the nearest source and the more distant source have all got to be coordinated. I admit that and to that extent certainly the Jodhpur State would be prepared during the first year or two to enable proper conditions to be reached. These conditions are at present on paper. During the first year or two there may be extra items of costs which may be eliminated as soon as everything is properly organised.

President.—What I want to know is will the State be prepared subject to whatever experiments it may make afterwards to say that it will be satisfied with a minimum of so much and a maximum of so much for such and such quantities for so many years?

Mr. Manu Subedar.—Certainly, we should find a contractor who would undertake to do that. When I say a contractor I mean a proper business agency capable of running the works on business lines.

Dr. Matthai.—On these figures that you have got here the works cost is 3 annas 3 pies.

Mr. Manu Subedar.—Yes.

Dr. Matthai.—Including the capital and other incidental charges, you bring it to roughly 4 annas.

Mr. Manu Subedar.—Yes.

Dr. Matthai.—Supposing it was necessary for the Pachbadra salt to reduce its price so as to be able to compete in the Calcutta market, am I right in assuming that the minimum to which you could go is 3 annas 3 pies that is to say the capital charges might be waived during the period of transition.

Mr. Manu Subedar.—During the period of transition, certainly.

Dr. Matthai.—During the period of transition, would it be possible to go below 3 annas 3 pies? On these figures, 3 annas 3 pies is the works cost which has to be met.

Mr. Manu Subedar.—It may not be possible to go below 3 annas 3 pies without the Jodhpur State giving a subsidy to such a contractor, but it is a matter which I am sure would receive consideration when your whole scheme is available.

Dr. Matthai.—If the State did not go out of its way to do that, ordinarily the limit on these figures would be 3 annas 3 pies.

Mr. Manu Subedar.—Yes. The State is very anxious that a larger production should come from these Rajputana sources rather than from the coastal works. As the State is anxious, I take it that in order to have a large permanent scheme put into effect it will not be averse to undertake to help the contractor to cover some loss during a period of say two years.

President.—There is a great deal of misapprehension about that. It is not a question of encouraging Jodhpur or Okha or Karachi or Aden or any other place. It is a question of encouraging that source which would give the cheapest salt to a particular market. That is what we are considering.

Mr. Manu Subedar.—We think that Pachbadra would be the cheapest for certain parts of Bihar and Orissa and Northern Bengal.

President.—There are other competing sources even there. Khewra for instance is one. It is quite possible for Government to put the Khewra salt in the same market into which you wish to go. Therefore you may have to go further than Khewra.

Mr. Manu Subedar.—Would it not be possible for you to indicate what amount below this 3 annas 10 pies the producer would have to be content with during a certain period?

President.—I will tell you frankly that it is not possible for any one to say that because there are no figures really which indicate to us what the markets are. How far a particular salt can be marketed we do not know, so that it is very difficult to say. We know this much that Bihar for instance would consume 200,000 tons. You know that distances in Bihar are very great.

Mr. Manu Subedar.—I know.

President.—Therefore it is not easy to say anything definitely until some one makes it his business to find out what the distances are, what the demand is and the rest of it.

Mr. Manu Subedar.—I can give you a map showing how far the Sambhar salt and Pachbadra salt reach.

President.—We know that. We have got it. The whole point is this whether in those markets the price of salt cannot be brought down by putting into them salt from a still cheaper source. There is a border line in which 4 or 5 different kinds of salt are competing. Therefore there is no indication as to what would happen if the market was better organised.

Mr. Manu Subedar.—The position would be like this. If the producer at Pachbadra undertook to give 100,000 tons next year and 125,000 tons the following year and your selling agency received that salt provided it was satisfied with the quantity and quality, but on the issue of price the selling agency felt that it was not possible to take 150,000 tons from Pachbadra but only 50,000 tons, that is to say, on the issue of price Pachbadra salt did not reach further up economically with reference to the consumer, then an adjustment might be necessary after any particular period that might be fixed—3 or 4 years—and a permanent basis would then be reached. I am sure that experiments would cost something.

President.—Who is prepared to pay the cost? Is the State prepared to pay the cost?

Mr. Manu Subedar.—The contractor who would come naturally with a business motive would not be willing to undertake liability for any heavy shortages like that. I am sure that the Jodhpur State might help if the risk was temporary and the amounts involved not considerable.

President.—Do you think so?

Mr. Manu Subedar.—Yes. But we are confident of our facts, as to the extent to which we can go in Bihar and Bengal. There need be no serious apprehension that we shall not be able to reach certain zones. We will be able to reach at least couple of hundred miles further.

President.—I am telling you that there is a competing source which is Khewra.

Mr. Manu Subedar.—I think that we would be able to reach there all right.

President.—Supposing you had no home market and Khewra had a home market—which it has—then Khewra could have a sort of export price. You may call it dumping if you like. In that market, Khewra salt, in spite of the longer lead, may be cheaper.

Mr. Manu Subedar.—But that is a factor over which I think the Salt Department has control.

President.—The Salt Department, we may take it, makes no profit.

Mr. Manu Subedar.—You say the Salt Department wishes to make no profit but wishes to charge as much as it can get?

President.—Reasonable price.

Mr. Manu Subedar.—Yes, for salt from the nearer zone. It wants to extract a little more thus making the salt reachable in farther zones.

President.—Yes.

Mr. Manu Subedar.—In that case, I suppose that Khewra with its larger production and larger market might be able to cut out Pachbadra. But Khewra will not be able to reach out more than a certain quantity, which may have to be supplemented.

President.—We assume that Khewra is able to do so. Supposing Khewra is also able to produce whatever is required for that market?

Mr. Manu Subedar.—We have also a nearer market in a sense.

President.—The whole position is this: so far as you are concerned, you have no home market.

Mr. Manu Subedar.—We have for 50,000 tons.

President.—That is nothing. Government may not increase the price above the present level.

Mr. Manu Subedar.—I will admit this that if Khewra is helped by cheaper freights as it has been helped during the last couple of years and if Khewra is further helped by extracting a higher price in the home market, Khewra will be able to cut out Pachbadra but whether it will be the best thing to do for everybody concerned is a matter to be considered.

President.—Government loses no money. I will give you an illustration. Government sells Khewra salt at say 5 annas just for illustration. It is getting 5 annas in the whole of its market. Government increases its output —say doubles the output. We will assume that 5 annas is the Government cost at present and that Government sells it at the cost price. Supposing Government is able to produce 100,000 tons and thus reduce the average cost to 3 annas?

Mr. Manu Subedar.—By a larger production?

President.—Yes. Five annas is the price which Government is getting now in the home market.

Mr. Manu Subedar.—I do not know. It depends on whether Khewra has not reached the limit of economic production.

President.—We will assume that it has not. I am just putting it to you that the cost has come down to 3 annas. Half the output it will still sell at 5 annas and the other half it will sell even at one anna which is the extreme limit.

Mr. Manu Subedar.—It is intended to take a larger price in markets nearer the source of supply and the excess will be sold in the far off markets at a considerably reduced price.

President.—That is the economic law. Supposing Government does not extend the market, these people will get it at 5 annas. Therefore they have no reason to complain.

Mr. Manu Subedar.—The benefit of the new price will go to the more distant markets.

President.—Or it may be shared by these two. They need not go so low as one anna. They may say "here we will sell it at 4 annas and in the other place at 2 annas." The average will be 3 annas. If that happens, then Pachbadra has to quote a price which in the same markets does not exceed that *plus* the freight.

Mr. Manu Subedar.—Would you rather not take the Bengal problem as a whole and give Khewra as far as it can reach and take Pachbadra as far as Pachbadra can reach.

President.—Whichever source is cheaper! I don't mean that you should dump at a loss. Provided on the average you get at the works a price which would cover your costs and your profit, there is no objection.

Mr. Manu Subedar.—I think that we are confident that the extended operations at Pachbadra will enable us to reach those realisations namely that we shall be in a position, after a couple of years of adjustment which is inevitable, to reach out our salt a couple of hundred miles further and to receive a price which will cover the operations at Pachbadra.

Dr. Matthai.—Do you know what the present selling price is at Pachbadra?

Mr. Manu Subedar.—4 annas 3 pies.

Dr. Matthai.—You are estimating an output of 100,000 tons.

Mr. Manu Subedar.—Yes.

Dr. Matthai.—That is the output which would make it worth while for the State to render indirect assistance if called for.

Mr. Manu Subedar.—100,000 tons to start with.

Dr. Matthai.—Last year you produced nearly 50,000 tons.

Mr. Manu Subedar.—Yes.

Dr. Matthai.—Most of it is consumed locally or round about.

Mr. Manu Subedar.—Yes.

Dr. Matthai.—What do you estimate as the normal consumption in the home market of Pachbadra salt—that is the markets adjacent to Pachbadra?

Mr. Manu Subedar.—Pachbadra salt is very much liked by certain people. It is in actual demand locally, but the quantities would not run up to anything very large for the consideration which you are making.

President.—If it is not going to be sold as Pachbadra salt in the market?

Mr. Manu Subedar.—Yes, but still a certain amount of Pachbadra salt will be sold in the local market as Pachbadra salt.

President.—It is quite possible to get a higher price in that market, but you will get a certain quantity of crushed salt and that will be the real test whether they will prefer these bigger crystals and be prepared to pay a higher price than for crushed salt. We don't know that yet.

Mr. Manu Subedar.—I think we should be able to have a certain amount of local market which will enable us to do what you mentioned about Khewra but on a smaller scale.

President.—We don't know what the markets are: nobody can tell that. We don't know what is the cheapest salt to be put in a particular market and therefore it is for us to find out where this salt ought to be produced.

Mr. Manu Subedar.—Yes.

President.—For that you want some agency.

Mr. Manu Subedar.—Yes. Would not the Tariff Board's recommendations indicate where the salt can be produced?

President.—No. We have not got the data. We only know that all this salt can be produced.

Mr. Manu Subedar.—But which will be the cheapest nobody can say?

President.—Not until we know the extent of the market or the area or the cost or the freights. We can only make a proposal. We cannot compel the railways and say your freights will be so much. It will have to be left to negotiation between the selling agency and the railways.

Mr. Manu Subedar.—Quite so.

President.—I understand that, in the opinion of the Jodhpur State, Pachbadra could be reorganized for the supply of salt to Bengal. Are you definite about it?

Mr. Manu Subedar.—I am very definite. If the Salt Department did not want to increase their operations, and employed the machinery of a proper business contractor, it could be done.

President.—I take it that the Jodhpur State will help in putting Pachbadra on the path of larger production, if necessary by financial advances to the contractor and by helping him to tide over the initial year or two during which stable conditions are reached. If a certain amount of capital has to be invested, would the State be averse to it?

Mr. Manu Subedar.—I have already said that the State is anxious to see Pachbadra developed to its full capacity. To realise this, they would be prepared to help the contractor in all reasonable ways. They could not take a direct hand and make capital investments unless it were at the request of Government.

President.—And the Jodhpur State Railway will quote the same rate as any rate that it has been quoting recently?

Mr. Manu Subedar.—Yes on its own section and they will certainly cooperate with the other railways when the question of station-to-station rate is considered.

President.—That is as regards Pachbadra, but it is interconnected with Sambhar. Now, the position is this that you cannot start manufacture unless you are guaranteed a certain market.

Mr. Manu Subedar.—Quite so.

President.—And the guarantee cannot be given. The only way therefore to start with is to reduce for the time being the production in Sambhar.

Mr. Manu Subedar.—I do not agree with you there; the reduction should be in imported salt. The area which we wish to penetrate is covered by imported salt.

President.—We don't know what the production and costs are going to be in Sambhar. Supposing we started in this way: you can satisfy them that you can produce, say, 20 lakhs maunds a year then they say "we will take this 20 lakhs" and if it cannot market 20 lakhs they will take Sambhar salt in proportion.

Mr. Manu Subedar.—The first year?

President.—The first year and until such time as a market is found. What would the State say as regards that?

Mr. Manu Subedar.—Our interest in Sambhar also is very great.

President.—In Sambhar you would be getting a royalty?

Mr. Manu Subedar.—We have put forward the proposal for Pachbadra because we understood that Sambhar had already reached the limit of maximum production and that it was not intended to increase anything more at Sambhar.

President.—It may be a question of reducing it.

Mr. Manu Subedar.—We would be very much opposed to any reduction at Sambhar.

President.—You may but you have no control over that. Government wants to reduce the price of salt and therefore it is entitled to select its own centre of production.

Mr. Manu Subedar.—I undersand. The control is with the salt department.

President.—The whole point is that you can't have it both ways. If you want to start Pachbadra then you must organise Pachbadra better and you cannot do that until you are guaranteed a certain market. That market at present is not available, we will put it that way, and therefore what is Government going to do with this salt?

Mr. Manu Subedar.—That market will become available on the adjustment of freights.

President.—But that will take time and in the meanwhile we want some data of what the costs are going to be there. The State will have to take the risk of having the Sambhar production being reduced in order to have a market for Pachbadra to start with, that is the point.

Mr. Manu Subedar.—Would not the selling agency which was in a position to assign the markets to various works ordinarily be in a position to eliminate sufficient amount of imported salt?

President.—It might or it might not.

Mr. Manu Subedar.—I think in the long run it will, if it is intended that it should. In that case the risk which you mention is a temporary risk arising out of the adjustments both of stock and production.

President.—If the State is going to take a long view they will say "we are going to get that market and we are preparing for it" and therefore the State will extend its market as far as it can by sacrificing Sambhar. The State will say "we know what our costs are; we are sure to get that market" and therefore it starts manufacturing at Pachbadra even if Sambhar production has to be curtailed to find an opening for Pachbadra.

Mr. Manu Subedar.—I am not at all clear as to why the Sambhar production need be curtailed.

President.—Supposing there is no room for both.

Mr. Manu Subedar.—Then let Sambhar go on and let not Pachbadra come on the scene at all.

President.—That is your position?

Mr. Manu Subedar.—We wish to see Pachbadra, which is being treated by the salt department as a reserve works, developed as a place of major production and wish to see it done not at the expense of Sambhar but at the expense of the importer.

President.—But there is the British Indian consumers' point of view to be considered. His position is this. He has got Sambhar. As you say it has reached its maximum production. Supposing that is the position then there is no safety there.

Mr. Manu Subedar.—Quite so.

President.—He wants a margin of safety, that is to say he can increase the production of Sambhar whenever he finds there is a shortage: but he cannot do that and therefore he must find an additional source which would give him all that he gets to-day from Sambhar alone and keep that as a reserve for any shortage.

Mr. Manu Subedar.—They can do this by treating Didwana as a reserve. It has also a larger capacity than its present production. As to the method of getting this margin of safety one very appropriate method would be to carry larger stocks.

President.—Why should they?

Mr. Manu Subedar.—Another method would be to carry larger stocks in depôts in the actual market.

President.—There are various ways, but as you know in every machine you always have a certain amount of reserve power which you don't always use; you only use it when it becomes necessary. The same thing applies to industry where it is dependent not on itself but on natural causes such as monsoon and things like that and it must make a provision for such contingency. What is your position then, is it that you will not allow any curtailment of Sambhar?

Mr. Manu Subedar.—If we had power, we would work Sambhar to the best output it was capable of.

Dr. Matthai.—May we put the point in this form that you are prepared during the period of transition at Pachbadra to render a certain amount of financial assistance if necessary?

Mr. Manu Subedar.—Certainly. For a year or two.

Dr. Matthai.—Supposing it happened that one of the measures required for the development of Pachbadra was a certain temporary curtailment of the output at Sambhar, which might mean surrendering a part of the profits there, that would simply be a part of the subsidy which you propose to give?

Mr. Manu Subedar.—The production at Sambhar has varied within a very large range of variations as you will see and we have no control over it. We had to be content with whatever came as our share and under our Treaties we will have no control in future. Therefore if the Salt Department or the Government of India decide to reduce the production at Sambhar I don't think we could have anything to say about it. We may have opinions but I don't think they are effective opinions and if we were consulted I don't know what the Darbar would say. I am sorry that point had never been placed before them.

President.—If you want to get going with Pachbadra at once then you would say 'all right, we will get Pachbadra going at once' and if you can't find a market for this 100,000 tons of Pachbadra salt along with Sambhar then you must say 'we are prepared to wait and cut down Sambhar in order to market the whole'. That is what you ought to be prepared to say. If you really believe that there is this market which must be supplied either by Sambhar or by Pachbadra eventually then there will be no objection to your saying that.

Mr. Manu Subedar.—Can't we make a request to the Tariff Board that that result might be assured to Pachbadra from cutting out so much imported salt?

President.—If we could see our way to doing that clearly, we would not put the question to you.

Mr. Manu Subedar.—I think measures should be adopted which would ultimately secure this position.

President.—Government would appreciate it better if you yourself came forward and said "we want this salt to be manufactured at Pachbadra, market or no market for the time being. We will take our chance of being able to secure the Bengal market. If you cannot sell the salt that is produced at Pachbadra along with Sambhar salt then the Sambhar salt should be curtailed". Whether the British Government will do it or not I don't know.

Mr. Manu Subedar.—No such suggestion has come to us from the Government.

President.—I am making it to you.

Mr. Manu Subedar.—May I put our point of view as producers? You are telling us that 'the market may or may not come to you; are you willing to produce on speculation'? We say we are not.

President.—That is not speculation.

Mr. Manu Subedar.—It is. Supposing the market did not ultimately come to the Rajputana works, taking Sambhar and Pachbadra together we would find ourselves out of pocket directly and indirectly for all the capital cost and all the different losses on experiments and other things during the period of adjustment with nothing to show and we would be further hit by the reduction of production at Sambhar.

President.—If you don't do that then Government will say "we are not going to take any risk, we will develop other sources".

Mr. Manu Subedar.—If a contractor undertook to produce at a certain price taking the risk whether that price covered the whole outlay or not, if he undertook to do that for the next five years then it should be for Government and for the Tariff Board to say that the Pachbadra party is prepared to produce at so much for the next five years and is willing to go in for any surplus which would be assigned to him. That much we are prepared to do.

President.—If you are prepared to give that undertaking that is a different proposition. Then you take the risk yourselves. What is the price that you want?

Mr. Manu Subedar.—The actual cost.

President.—That may not enable you to get the whole market.

Mr. Manu Subedar.—Rather than abandon the enterprise I am sure we will still continue production.

President.—If you are prepared to accept the best price that the selling agency will realise for you, that is all right. Supposing 3 annas is the minimum which will make you go on and 4 annas is what will give you a profit and everything, the margin is between 3 and 4 annas.

Mr. Manu Subedar.—A certain amount of loss per maund is a loss which the contractor should be prepared to bear during the first two years of adjustment.

President.—Supposing it is five years, if at the end of five years you are not able to get your full 4 annas you have got the option of closing down, but will you hold the Government or the marketing agency liable for it? The whole point is that the manufacturer must take the risk.

Mr. Manu Subedar.—He will take the risk provided it is indicated to him that the freight concession which he is asking for is given to him. Then he can say 'The actual price in that particular centre is so much. My cost *plus* freight is so much. I think I can reach that'. Then he is in for the

whole commercial risk, but if you were setting up a selling agency at Calcutta as a monopoly to handle huge quantities with power to spread out their charges and so on, then that selling agency can certainly land the imported salt in those particular centres in which we are interested at a very much lower cost which I am sure would not lead to the development of the Pachbadra salt works.

President.—In practice it is very difficult. I will explain to you what the idea is. If the imported salt is cheap to sell in a particular market, they will sell the imported salt. If your salt is cheaper, they will sell your salt, because as I said we haven't got all the data.

Mr. Manu Subedar.—If we get effective production, surely the selling agency will not say 'You are 3 pies out of it and we shall knock you out'. In that case Pachbadra will have to close down. We want a reasonable assurance from an organisation of this kind. It is set up with the express object of encouraging more production. We want a reasonable assurance that it will enable us to tide over and cover full costs.

President.—You are not marketing at all.

Mr. Manu Subedar.—We don't object to marketing it in those centres if we are given station-to-station rates.

President.—If each individual manufacturer is to market his own salt, it can't be done under competition with one another. It will be very difficult to find a market.

Mr. Manu Subedar.—If it can't be done, then we are willing to fall in with the general programme. The contractor whom we have in mind will take the risk for the first one or two years and he will receive reasonable assistance from the State.

President.—I want to be quite clear. Are you authorised to make that statement?

Mr. Manu Subedar.—I am quite authorised to make the statement that the Jodhpur State will take reasonable measures involving financial outlay to secure larger production.

President.—Provided any loss is limited to a reasonable period?

Mr. Manu Subedar.—Yes, in the whole discussion this morning it has not been indicated exactly how much loss they may be called upon to bear. I can assure you that they would go very far. Their desire to see larger production in this centre is very keen. But everything must depend on the consideration of concrete proposals.

President.—I do not know whether I examined you about Sambhar. The States have made rather a good bargain about Sambhar.

Mr. Manu Subedar.—No, they have not. I think lump sums were fixed in 1870. Their money value was at least 10 times as great as to-day and these lump sum payments have sunk very low. The purchasing power of the rupee is not the same to-day. Some of these payments were more in the nature of political settlements than commercial transactions.

President.—Then you would agree also that the price should not include the compensation payable to the States if that is the position.

Mr. Manu Subedar.—My reply was merely to the statement made by you that the States have made a good bargain. I say the bargain was made in 1870 and there are two ways of looking at it.

President.—I am looking at it from one way.

Mr. Manu Subedar.—I have no authority to say anything regarding Sambhar, but if you ask my individual opinion as an economist with regard to how the accounts of the Salt Department should be kept, I think certainly compensations which are being given to about 38 States should be regarded as of the same nature as the treaty payments which the British Government are receiving from Indian States. They are political settlements and not commercial settlements.

President.—Therefore the fixed compensations and the royalty payable should not form part of the selling price.

Mr. Manu Subedar.—The fixed payments should not complicate the selling price.

President.—That is just the point. Just now Government fixes the price which includes these royalties *plus* a certain percentage of the fixed compensation. That inflates the price.

Mr. Manu Subedar.—Not all the fixed payments?

President.—But a certain percentage of Rs. 3 lakhs *plus* the royalty; they then add that to their cost. That is the selling price and the Jodhpur and the Jeypore States get 2/5th of that in excess of anything that is produced over 17·25 lakhs. The result is that you get 2/5th also on the royalty that the Government is paying.

Mr. Manu Subedar.—The result may seem interesting or ridiculous to you, but that is the actual arrangement.

President.—That is not the actual arrangement. The actual arrangement is that you will get 2/5th of the selling price. It is just a matter for argument and for adjustment. Supposing I was the Government, I should hesitate very much to pay 2/5th also on the 2/5th that I am paying you.

Mr. Manu Subedar.—I have no authority to go into the interpretation of the treaties on the political side.

President.—You cannot commit the Jodhpur State. We shall deal with it. I am asking your individual opinion whether you would regard all these as political payments.

Mr. Manu Subedar.—Not all these; only with regard to the compensations which were given to the various States.

President.—But not the royalties.

Mr. Manu Subedar.—No. The royalties are advantages—natural advantages from the natural resources located inside the State. The British Government do not share the royalties with any State on goods produced in British India and coming into the States.

President.—The whole point is this: supposing it was a private industry and we were considering what ought to be the fair selling price, we must capitalise the royalty to get at the capital. Then if we find that the business is overcapitalised, we write it down. As you know we have done in other industries when we find that the business is overcapitalised.

Mr. Manu Subedar.—The way you are working it out would be only applicable to a business enterprise, which was working under competitive conditions. Salt production, however, in India is a monopoly and the principles you enunciate are not at all applicable to it.

President.—But I am discussing business with you.

Mr. Manu Subedar.—The considerations which you are giving me are absolutely inapplicable to salt, because it is an absolute monopoly and I don't think the question arises.

President.—I am looking at it from a commercial point of view. If the Government or anybody else enters into a bargain which from the commercial point of view is a bad one, and we look at it from that side, should we not compel the Government or anybody else to write down the capital as we have in other enquiries.

Mr. Manu Subedar.—Yes if Government were keeping commercial accounts and running the business on a competitive basis.

President.—They claim that they do it. Supposing you were in my place and this was a private enterprise and you were told that this man paid 2 crores of rupees on the capitalised value for an undertaking which cannot give him a return on Rs. 2 crores, would you not then write it down?

Mr. Manu Subedar.—The process of writing down is only possible for a private concern. For Government, there is always the taxpayer to pay.

Dr. Matthai.—There is this point. At present Sambhar has its own market and so the question as to what price you would charge is not so important, but the moment it tries to compete with the imported salt, the amount of selling price would become very important. Therefore the capitalised charge would become important.

Mr. Manu Subedar.—I understand. If there is going to be a very radical alteration in the existing system of salt production, transport and selling, this would have to be a matter of fresh negotiation between Government and the State.

President.—It is not a matter of negotiation. We have gone into the question of salt. We have gone into other industries also. If coal, for instance, has to pay a royalty of this amount, I don't think they will find it easy to sell any coal. Therefore we have got to consider whether having regard to the value of the articles and other things and not as a monopoly—Government can charge anything that it likes if it is a monopoly—this article can bear a royalty of this amount. Even if it can't bear this amount, it has got to pay the State all right.

Mr. Manu Subedar.—If it cannot bear from the salt price, it should bear from the general revenues. It is purely a political settlement.

President.—And it affects the State in this way.

Mr. Manu Subedar.—It would continue to receive the payment agreed upon.

President.—Fixed payments it would receive, but the royalty is variable. If the capitalised value is written down and then the price goes down, it gets 2/5th of the reduced price. I am not asking you as a representative of Jodhpur Darbar just now.

Mr. Manu Subedar.—Supposing the production were increased and the price were also increased, we would get more. We share the fortunes of the Sambhar works whichever way they go.

President.—Would not the State like to earn the reputation of being responsible for bringing down the price of salt by making a contribution of 2/5th of the price?

Mr. Manu Subedar.—It is for His Highness the Maharaja to consider. I as his representative would certainly not advise him to go out of the way, because charity begins at home.

President.—We Indians all want to bring down the price of salt.

Mr. Manu Subedar.—We are willing to begin the charity at Pachbadra by setting up larger production. May I make what is in my mind clear on one or two issues? The discussion has gone along altogether on the basis that the producer at Pachbadra parts with the salt at a price at Pachbadra and is not concerned either with the marketing or with the transportation thereof?

President.—Yes.

Mr. Manu Subedar.—The transportation facilities involving either special rates or any other rates—in fact the whole question is one which the new agency will take up with the proper authorities?

President.—Yes. It is a matter of bargain between that agency and the transport agency. Would you be in favour of such an agency if your salt cannot be marketed otherwise?

Mr. Manu Subedar.—If it is set up for the whole of Bengal, then we have got to co-operate with them. We have worked out all these figures on the supposition that there was free importation and individual handling of salt.

President.—From your point of view would that be an advantage, because you have got to enter into an uneconomic competition?

Mr. Manu Subedar.—If there is absolutely free trade for Bengal?

President.—What do you mean by free trade?

Mr. Manu Subedar.—If the control of marketing was not taken up by a special agency and if the station-to-station rates were given as asked for by

us, I am sure we would be able to stand up against any competition in many of the markets. If under the orthodox plan you gave As. 6 tariff we would be able to stand up against any competition.

President.—So far as Pachbadra is concerned, it has got no interest beyond the manufacture of salt.

Mr. Manu Subedar.—No.

President.—Therefore it is immaterial to you what agency deals with the salt after it leaves Pachbadra.

Mr. Manu Subedar.—All we should like to say is that the agency should be such that they will be fair to Pachbadra while satisfying the main object for which it has been set up.

President.—Most of us have got to put our destinies partly into the hands of other people. You must take your chance. Human control can only go up to a certain point. You must assume that everything should be right.

Mr. Manu Subedar.—We should like to take an active interest in that agency.

President.—You may when it comes.

Mr. Manu Subedar.—We ought to have some representation on this Board.

President.—You can have some representation on this Board by being a shareholder. Why should you be represented as such?

Mr. Manu Subedar.—Will it be a Government body?

President.—Or a body controlled by Government.

Mr. Manu Subedar.—If it is a Government body pure and simple, then we should be much more happy than if it was a private agency.

President. Quite true. I always understood that you didn't believe in Government agency for the business.

Mr. Manu Subedar.—The Jodhpur Darbar have absolute confidence in the wisdom of the paramount power.

President.—I am rather glad to hear that you have got so much confidence in Government machinery as regards business. I always understood that your views were the other way.

Dr. Matthai.—You are speaking for the moment as a representative of Jodhpur Darbar.

Mr. Manu Subedar.—Yes. As a representative of the Jodhpur Darbar I should say they would feel much happier if it was an officer of the Government of India who was looking after the sale. If it is to be a private agency, then the Jodhpur State would like to have a share in it.

President.—It will be an agency subject to Government control. It can never be entirely private.

Mr. Manu Subedar.—Government control would only lead to the main object, and that is stabilisation of prices. I don't think Government would want to interfere with regard to details as to why should you purchase so much more from so and so and so much less. All that we want to do is to develop Pachbadra up to a certain point where production can be most economically worked. If we are allowed to reach that point, it will be better for the consumer, because the prices tend to come down and remain permanently on a lower basis. If an agency is set up which will not allow us to do this, then it will be most unfortunate.

President.—Why do you expect that the agency will play the fool?

Mr. Manu Subedar.—We don't know. We are naturally apprehensive of every new measure, because we don't know how it will operate.

President.—You find that even Government is sometimes fallible.

Mr. Manu Subedar.—Yes.

President.—Even Government won't be free from such a contingency. There is nothing very much in that.

Mr. Manu Subedar.—I think if an agency was set up with very wide powers which might involve serious curtailment or elimination of Pachbadra when it didn't suit that agency, then it would be most unfortunate, because we are called upon in the proposals made this morning to undertake larger production. It has been suggested that the State should finance it and subsidise it.

President.—You would not start going at all unless the selling agency thought that Pachbadra salt could be put into the market. Therefore there can be no question. Once it brings you in, it has got to find a market for your salt.

Mr. Manu Subedar.—It won't be started until we have fixed it up with the selling agency?

President.—So that question can't arise.

Mr. Manu Subedar.—So long as there are reasonable conditions of safety for the producer, we do not mind.

President.—Reasonable safety for the manufacturer, for the consumer and the Government.

Mr. Manu Subedar.—And for the producer?

President.—That is what I say.

Mr. Manu Subedar.—Then, you ought to give the producer of this kind a seat on the Board.

President.—That I do not know. You may have a representative on the Board supposing this scheme goes through.

Mr. Manu Subedar.—Yes. His presence would be very useful.

President.—As to how the thing is to be constituted is a matter which must be decided at some subsequent stage. What I am asking you is: are you in favour of an organisation—the principle of one single marketing organisation—for such a purpose? If you don't agree to that principle, there is an end of it.

Mr. Manu Subedar.—There is no end of it so far as the Jodhpur State is concerned. If such an organisation is brought into existence then the Jodhpur State has got to co-operate with it. But if you ask me as an individual, then I certainly say I am opposed to it.

President.—Supposing we find that the industry cannot be given any assistance except by this, would you not rather have this assistance as an individual?

Mr. Manu Subedar.—No, I would not. You are the body specially constituted for such a purpose . . . . .

President.—Supposing our position becomes such that we have no other means of giving protection to the industry, then would you rather take this protection, or would you rather say 'I don't want it'?

Mr. Manu Subedar.—If I were satisfied that this was the only means, I would certainly take it, but I am not satisfied that this is the only means

President.—The alternative that you are thinking of is a differential duty.

Mr. Manu Subedar.—Yes, a differential duty. That is the orthodox plan with power to Collectors of Customs to vary the duty in case there is an unfair attack by the foreign importer.

President.—Did we not have the same thing in the Steel Bill—I mean giving powers to Collectors of Customs to vary the duty every time? Do you think that you will find any Collector in whom you and everybody else will have such full, implicit confidence?

Mr. Manu Subedar.—I admit that the matter is difficult. But . . .

President.—You must talk practical politics. We have considered this before.

Mr. Manu Subedar.—If you had a system of licensing the quantities which India could import with power of licensing and the power of varying the duty in an emergency when underselling starts, I am not still convinced that that would not be a better system.

Dr. Matthai.—From the public point of view there is an enormous amount of difference between varying the duty on an article like steel and varying the duty on a common article like salt.

Mr. Manu Subedar.—I see the difficulties.

President.—So far as Bengal is concerned, mind, it does not know that there is such a thing as excise duty. For all practical purposes it only knows of one duty which is the Customs duty. Even to equalise prices if you raise the Customs duty, what does the middleman do? He will say that the duty has gone up. The consumer or the other man is not even able to grasp that it is the duty that has gone up and that it does not mean that the price will rise.

Mr. Manu Subedar.—I quite realise that it will give opportunities all protection does—to the middlemen.

President.—This leads to frequent variation. If a Collector of Customs were to do it on every consignment, it would be unthinkable.

Mr. Manu Subedar.—On the other hand when you put up a selling agency the selling agency will be buying more of freight than of salt.

President.—How do you mean?

Mr. Manu Subedar.—In the price of salt *ex*-ship Calcutta, freight is the preponderating figure.

President.—It does not buy as freight.

Mr. Manu Subedar.—What I say is that the concentration of so much freight in one hand might have repercussions on many other trades.

President.—I don't see how it could have repercussions at all.

Mr. Manu Subedar.—If the selling agency were to go to the freight market for 600,000 tons every year, they would be the predominant people in the freight market.

Dr. Matthai.—Look at it like this. Let us take the figures. In the Calcutta market there is a total consumption of 500,000 tons of salt leaving out Burma for the moment. Out of that about 200,000 or 250,000 tons is supplied by Aden. Supposing ultimately Aden is regarded as part of India, that quantity should be left out. Therefore the total amount of salt with which you would be concerned is 250,000 tons. Assuming that this selling organisation were to have control over the freight corresponding to 250,000 tons, do you think that that quantity is sufficiently large to have any serious repercussions?

Mr. Manu Subedar.—What about the 250,000 tons from Aden?

Dr. Matthai.—Assuming for the moment that Aden is regarded as part of India and there is no restriction as regards Aden?

Mr. Manu Subedar.—Aden comes in by private agency?

Dr. Matthai.—Up to 250,000 tons. Supposing that was the position?

Mr. Manu Subedar.—Will the Aden merchant sell his salt in Calcutta, Dacca, Chittagong or wherever he likes?

Dr. Matthai.—No.

Mr. Manu Subedar.—Will the selling agency then take his salt from him at Calcutta?

Dr. Matthai.—Yes.

Mr. Manu Subedar.—Then, the selling agency does not buy the freight from Aden, but I was under the impression that they would buy the salt *ex*-works.

Dr. Matthai.—Even if they took 450,000 or 500,000 tons, do you think that having regard to the quantities in which the freight business is done this is sufficiently big?

Mr. Manu Subedar.—Certainly it is. There would be no individual buyer of 600,000 tons a year.

President.—Why should it have any repercussion? You are not creating an additional freight of 600,000 tons in one single hand. The freight is already there in the market. Instead of fifteen people buying that freight, this agency goes into that market and gets it at a cheaper rate. What repercussion could there be which would affect other people?

Mr. Manu Subedar.—It will all depend on what other interests this private agency has.

President.—It has got no other interest. It is a selling organisation.

Mr. Manu Subedar.—It is a public joint stock company?

President.—Yes, what about that?

Mr. Manu Subedar.—The Board of Directors of such a company might be interested in, let me say, rice from Burma and they would certainly be able to affect the freight on rice from Burma.

President.—If you always assume that every business is going to be done dishonestly, then no business can be done. We expect that the business is reasonably honest.

Mr. Manu Subedar.—Dishonesty is a very strong word.

President.—You may just as well say that the Government as a great purchaser of freight is also dishonest and that it may be able to get its other freight cheaper.

Mr. Manu Subedar.—If Government did that, it would be good for the taxpayer.

President.—It would be good for the taxpayer. What about the business people? They have complained about it. If you bring forward such an argument, no business can be done.

Mr. Manu Subedar.—I have not seen anywhere a very detailed programme of the organisation which it is proposed to be set up. I have expressed my apprehensions because the scheme is not yet before me.

President.—We are not discussing just now in what way it should be constituted. We are only discussing the principle.

Mr. Manu Subedar.—As a principle it should not be a Joint Stock Company. The only principle is that the salt trade would have to be a controlled trade in future. I certainly agree with that.

President.—What form the control must take must be settled by the manufacturer, the consumer, the Government and the rest of them.

Mr. Manu Subedar.—Certainly. I agree in principle that it will have to be a controlled trade.

President.—You agree that it would be a suitable method of dealing with the question.

Mr. Manu Subedar.—But the control need not take the form of a public joint stock company. Nor need it involve purchase and sale of the whole quantity. The control may take the form of an official aided by a non-official board.

President.—I may tell you that we are not discussing the form just now.

Mr. Manu Subedar.—If you abandoned the orthodox method of so much per maund at the entry and if you also did not encourage the method of rail freight reductions, then this third method might be adopted.

President.—The freight reduction does come in because that will determine the source of supply. Therefore the question of freight must come in.

Mr. Manu Subedar.—I agree that it should be a controlled trade.

President.—That might lead to stabilisation of prices.

Mr. Manu Subedar.—It should be a controlled trade because there is no method of substituting the whole foreign supply at once and somebody will have to watch how much should be substituted. These are all absolute essentials.

Dr. Matthai.—Referring to my original point, supposing ultimately the amount which India could supply to the Bengal market was somewhere about 300,000 tons, out of that you say ultimately you would be in a position to supply 100,000 tons.

Mr. Manu Subedar.—150,000 tons.

Dr. Matthai.—Say 150,000 tons. Khewra also could increase its output to 100,000 tons; about 50,000 tons comes from Liverpool which is a specialised kind of thing for which there will be a market. In that case if Pachbadra and the Northern India sources were developed, it might be that there would be no room for the production of salt in Western India in places like Okha and Karachi. I want to know from the national point of view what your views would be. Would you regard that as a satisfactory arrangement?

Mr. Manu Subedar.—There are two points to which I would like to refer. In this case, the existing sources are there. A certain amount of capital is sunk and if larger production takes place there I think that it would be under more economical conditions. That is the first point. The new sources have still got to be developed by putting in further heavy capital.

Dr. Matthai.—In Western India, they have already sunk capital.

Mr. Manu Subedar.—They all propose to sink a lot more under your encouragement. Having built up reserves at public expense, they might attack works under government. The other thing is that the railways of India are a national asset and every method which would increase the gross revenues of the railways in India is much more desirable than the other method that would merely create a coasting traffic, the gross revenue of which will go into private pockets.

Dr. Matthai.—You will have national shipping.

Mr. Manu Subedar.—The money going into the railways goes directly into the pockets of the taxpayer. To that extent it is good for the taxpayer, because either new taxes will not be imposed or other taxes may be reduced.

Dr. Matthai.—Your contention is purely from the railway point of view.

Mr. Manu Subedar.—No. You asked from the national point of view that is with regard to national assets, *viz.*, railways. The other thing is that in the event of war, land transport is much more satisfactory and much more reliable.

Dr. Matthai.—It is to the interests of the railways to give concessional freights on salt conveyed from Rajputana and the Punjab because if they did not do that, it would mean that the Indian Salt Industry would be developed on the coast.

Mr. Manu Subedar.—Then the whole traffic would go by sea without putting a single penny into the pockets of Indian railways.

Dr. Matthai.—That is to say they would not make this additional earning.

Mr. Manu Subedar.—I apprehend even worse. It is possible to argue that not only will no money go into the pockets of Indian Railways if nothing more was produced in the inland places but actually some of the traffic which is being carried by the railways from the east to the west coast and *vice versâ* might seek sea transport, because the cost of sea transport would generally be less. I make it out this way. When you replace the imported salt, you are taking away a certain amount of long distance freight; you are adding a certain amount of local freight; you are adding to the coasting freight and the coasting freight will tend to be reduced. If it is reduced, the railways may be obliged in competition to reduce their rates in order to retain some of their existing traffic from east to west.

President.—Whom are you speaking for?

Mr. Manu Subedar.—I am speaking as an economist.

Dr. Matthai.—Let me see what your point is. At present there is a large amount of traffic from the east to the west. That traffic is considerably larger than the traffic from the west to the east. Assuming that all the salt for the Bengal market is going to be supplied by Karachi and Okha, in that case there would be a very large increase in the return cargo.

Mr. Manu Subedar.—Yes, and the effect of that will be that the freight will be reduced on the return cargo in which case the salt will receive a subsidy or on the original cargo in which case there would be a tendency to bring more goods by sea in ships to the western coast. This will force the railways to reduce their rates in certain commodities in self-defence in order to retain the traffic which they handle now.

President.—I should not shed a single tear if both the sea freights and railway freights were reduced in the interests of the industry. That is the real thing to do.

Mr. Manu Subedar.—Dr. Matthai was asking me what would be my view from the national point of view?

President.—You were just now telling that you were speaking as an economist on behalf of the nation.

Mr. Manu Subedar.—Yes, we have got 700 crores of rupees sunk in the railways.

President.—If you want to use your railways as a source of taxation I have nothing to say. It may be economics but certainly it would not meet with my approval. If it is a means of giving cheap transport why should you complain? If the freights are reduced, why should you complain?

Mr. Manu Subedar.—I am not complaining. If the reduction of freight is to be secured, let the reduction be in the rail freight which while doing good to the Bengal consumer will be good for the railways because even at reduced rates it will be good for them to take this traffic.

President.—Your point is rather this. If it pays the railways to get this freight, it ought to get it because it would then add to the national wealth. I agree with you but if you go still further and say that it would lead to the reduction of both sea and land freight, and that that would be a calamity, I cannot understand.

Mr. Manu Subedar.—What I had in mind was this: that the railways ought to get this traffic in any case. There would be no difference to the consumer. But it might make serious difference to the railways, if, instead of getting more revenue, a situation is created in which they have to reduce rates to retain existing traffic and thus lose a portion of their nett earnings. Since the railways are a national asset owned by the taxpayer, I should not like to see coastal shipping develop in any manner at the expense of the railways. Recognition of Aden and encouragement of works on coast at Okha, Karachi or elsewhere would be prejudicial to the prosperity of railway system of India as a whole.

Dr. Matthai.—This would be a good argument for you to use to the railways. You can say it is to their interest but it is not necessarily the national point of view.

Mr. Manu Subedar.—I say that it is one of the most important points in the argument that I would rather encourage salt production inland than have it go from Western Coast of India to Calcutta by sea. It is much better that the new traffic should go to the railways because it puts money into the national treasuries. There is one more argument I should like to put forward in favour of the Rajputana producer. The Rajputana prices are scheduled prices at present. It is good for the consumer to have his salt at a fixed price *plus* the freight than to have constant speculation going on and then be subjected to the conditions to which he was subjected for the last three or four years when there was a ring. If you are going to put in your marketing organization to stabilise prices then you are giving the same

advantage to the Bengal consumer as the interior consumer had so far. But one of the methods of guaranteeing that advantage would be to let the Rajputana salt reach the consumer by rail.

Dr. Matthai.—It is really an argument for the control of trade.

Mr. Manu Subedar.—Supposing you don't think of the control of trade but go on the orthodox method of so much tariff then surely a scheduled rate for salt would be very much better proposition for the consumer.

Dr. Matthai.—A system of scheduled prices exists where Government have control of the salt works as well as the sale of salt.

Mr. Manu Subedar.—Yes.

President.—The reason why this scheme has failed is that it fixes its price at the works but it does not stabilise the prices in the market and that would be avoided by such a system as we are considering.

Mr. Manu Subedar.—Yes, by some method of control.

President.—Mr. Hinmat Singh wanted us to treat his evidence as confidential but I don't know if he still wants it to be done.

Mr. Manu Subedar.—The Indian State is in political relation with the Paramount Power and is generally anxious not to say publicly anything which affects the Paramount Power.

President.—We are not concerned with that. We are concerned with the commercial possibilities of Pachbadra and if there are any passages in his evidence which you think have any political bearing you can cut them out.

Mr. Manu Subedar.—I will do that.

सत्यमेव जयते

THE PORT SAID SALT ASSOCIATION, LIMITED.

Evidence of Mr. G. L. SAVON and Mr. M. GREZOUX recorded at Bombay on Saturday, the 8th February, 1930.

President.—Are you one of the Directors of the Port Said Salt Association?

Mr. Savon.—I am the Managing Director of the Port Said Salt Association.

President.—Where is the company registered?

Mr. Savon.—In England.

President.—With sterling capital?

Mr. Savon.—Yes.

President.—I just wish to know what you particularly propose to say to us this morning, and then I will ask you some questions.

Mr. Savon.—I have not very much to say in view of the evidence which you have already had from our representative here but the matter under discussion by your Committee is of such importance that the Board of Directors of my Company considered that it was necessary, were it only out of respect for your committee, that I should come out and meet you, so that I am simply here at your disposal to give you any information which you may want.

President.—You know what the enquiry is about, don't you?

Mr. Savon.—I know that it concerns the trade of salt in this country.

President.—What is your capital?

Mr. Savon.—The capital of my company is £80,000.

President.—Can you send us one of your balance sheets?

Mr. Savon.—I suppose I could.

President.—Because we would like to study its position if possible.

Mr. Savon.—Yes, but I have not got a copy here.

President.—You can cable for one and they may perhaps send it to us direct.

Mr. Savon.—I have no objection because my company is a public company.

President.—What is your total production?

Mr. Savon.—My total production varies considerably. The minimum would be about 170,000 tons if the business is to be kept on a paying basis.

President.—What have you actually produced?

Mr. Savon.—We have produced up to 250,000 tons.

President.—How much have you been exporting to India on an average? I have got the figures but I cannot remember at the moment.

Mr. Savon.—When you say India, do you mean Calcutta, Chittagong and Rangoon?

President.—Yes. Would it be about 100,000 tons?

Mr. Savon.—More than that. I should think including Chittagong and Rangoon it would be about 120,000 tons.

Mr. Mathias.—It is only 80,000 tons in Calcutta.

Mr. Grezoux.—That was last year. I have been doing as much as 104,000 tons in Calcutta alone.

Mr. Savon.—Chittagong will be about 20,000 tons and Rangoon 25,000 tons.

Mr. Mathias.—How is your works laid out? Have you concrete pans or are your pans all mud pans?

Mr. Savon.—They are sand pans.

Mr. Mathias.—Are they treated in any way?

Mr. Savon.—No. It is really a mixture of sand and salt.

Mr. Mathias.—So, you have a natural advantage in the matter of pans.

Mr. Savon.—In the nature of the soil.

Mr. Mathias.—Because it is already saturated with salt.

Mr. Savon.—Yes.

President.—Your average imports into Calcutta have been 100,000 tons.

Mr. Savon.—For the Calcutta market alone.

Dr. Matthai.—About 20,000 tons to Chittagong.

Mr. Savon.—Yes.

President.—So that the Indian market would mean a lot to your works.

Mr. Savon.—As a matter of fact, I consider that all the salt works from Port Said southwards are entirely dependent on the Indian market.

Dr. Matthai.—If you took 250,000 tons as your output and about 120,000 tons as your share of the Indian market, about half of your output would be sold elsewhere.

Mr. Savon.—250,000 tons is an exceptional figure. Our normal production is between 170,000 and 200,000 tons a year. I mentioned the figure of 250,000 tons as being the maximum that we produced so far and that was only for one year. Our normal production is between 170,000 and 200,000 tons, so that it is not half—in any case you can say easily three quarters of my production is sold in India.

Dr. Matthai.—Where exactly is the rest of your market?

Mr. Savon.—The rest of our market is in the Straits, in Japan and very little in the Mediterranean. I am entirely dependent on the East and Far East. That is the position of my works and I repeat that is the position of any salt works south of Port Said.

President.—Supposing we come to the conclusion that India ought to produce its own salt but we find that India cannot produce all the salt at once and that a certain period must elapse between now and the time when it will be able to produce all the salt. Let us say that Government controls the imports of salts into the country. It also controls sales to some extent. Let us say that the Government buys the salt in the open market and gives you an opportunity for quoting. What I wish to know is supposing Government asked for tenders and offered you 100,000 tons what would be the lowest price that you would be prepared to quote in order to get the order?

Mr. Savon.—What price do you refer to? Do you mean c.i.f.?

President.—You may take it as you like.

Mr. Savon.—There is a lot of difference. If I am called to quote c.i.f. I may be willing to speculate on the freight.

President.—We will take it both ways. First of all, take the c.i.f. price. What is the lowest figure that you think you would accept rather than lose the market?

Mr. Savon.—I suppose you also refer to the usual quality which we send to the Calcutta market.

President.—Yes, your usual quality.

Mr. Savon.—I should say round about 26 or 27 shillings.

President.—A ton?

Mr. Savon.—Yes.

President.—That is c.i.f. Calcutta.

Mr. Savon.—Yes.

President.—That is about Rs. 66 per 100 maunds.

Mr. Savon.—Yes.

President.—At present you are selling at a much lower price.

Mr. Savon.—I know. But I am giving you the price basing on my present cost.

President.—If we were taking on costs I understand that that would be your price. Supposing you were tendering in the open market in competition against others?

Mr. Savon.—I do not know who you would be asking us to compete with. It all depends whom we are competing against. We may have to give away something.

President.—All the European and Red Sea ports?

Mr. Savon.—It is rather a difficult question, and I will tell you why. Because it may come to this, that it may pay us better to take the business at a loss than to have to close down our works.

President.—I want to know that limit.

Mr. Savon.—That limit may be anything. I cannot give you a figure basing on that, because if I have to close down my works I lose everything.

President.—Obviously you would go as far as you can go.

Mr. Savon.—I naturally would; I would have to.

President.—Even you may lose a little money for the time being in order to keep the market.

Mr. Savon.—I may have to if the position is such as you describe. If I am put in the position of having either to take the business at a loss or to close down the works, I suppose I will have no other alternative for the time being but to take it, but then there is no doubt that you are killing your sources of supply.

President.—That is another point. Therefore in your case the importance of the market to you is such that you might go to any length.

Mr. Savon.—I have emphasised that point before and I repeat that all the salt works south of Port Said inclusive are entirely dependent on the Indian market.

President.—That being so, the competition may be such.....

Mr. Savon.—It is bound to be tremendous.

President.—The competition may be such or as you put it so tremendous that you may go to any length.

Mr. Savon.—Yes.

President.—If eventually it is a case of shutting down?

Mr. Savon.—It all depends on the financial position of the Company. This may be such that it may pay my shareholders better to close down, and take their money than to keep on an unprofitable business.

President.—Of course you cannot say now.

Mr. Savon.—I cannot tell you until we have had the first try.

Mr. Mathias.—I would like to get a clear idea of your opinion as a businessman as to what would be the result of such a scheme as was put to you by Sir Padamji, that is to say, all the sources outside India would be required to tender either by Government or by a monopolistic salts organisation. What would be the result over a series of years supposing such a scheme was adopted and tenders called for from the Red Sea ports?

Mr. Savon.—The result will not extend over a series of years. It will only extend over the first year. My opinion is that the man who will take the business the first year will be the only one alive the second year as the others will be killed outright. That is my opinion. I shall explain why. Unless salt works are kept going permanently they are lost. If we don't keep water on our pans producing salt, all the time, they will become useless. They will be burnt by the sun and entirely cut up. If we are to start again,

practically we will have to rebuild the pans, so that assuming that tenders are issued and we quote and don't get the business, we have to close down for a year.

Mr. Mathias.—That means closing down altogether.

Mr. Savon.—It is no use retaining our plant, salt pans and everything else on a working basis to produce 50,000 tons.

Mr. Mathias.—Take another aspect. Supposing Government or the sales organisation called for tenders say once every two months?

Mr. Savon.—That might be an improvement if the result was that one got it for the first two months, the other for the next two months and so on.

Mr. Mathias.—Supposing it so happened that the different works got it for two months in rotation, it would be slow starvation for all.

Mr. Savon.—I should think so. My opinion is that the various sources of supply now at the disposal of India would be cut out. I don't think that there can be any doubt about it.

Dr. Matthai.—What is the price (c.i.f.) you are now getting at Calcutta?

Mr. Savon.—Rs. 57.

Dr. Matthai.—That is distinctly below your economic price.

Mr. Savon.—What do you call my economic price?

Dr. Matthai.—You said 27 shillings was your price.

Mr. Savon.—I gave you 27 shillings as being the equivalent for Calcutta of the price which I would quote to my customers in any country for a c.i.f. cargo.

Dr. Matthai.—Rs. 66 c.i.f. Calcutta is the sort of price at which you feel you can get a fair return?

Mr. Savon.—That is right.

Dr. Matthai.—So that at the present price you are losing.

Mr. Savon.—I will not say I am losing because the cost price of ancient stocks is to be taken into account. I will say I am making no profit.

Dr. Matthai.—How long has this price been ruling in Calcutta?

Mr. Savon.—Nearly two months.

Dr. Matthai.—Even if this price continued for a year you would of course continue to produce and to ship to India?

Mr. Savon.—Yes. Probably.

President.—Would this Rs. 57 cover your depreciation?

Mr. Savon.—Yes.

President.—But leave you little or no profit?

Mr. Savon.—The financial position of my salt works is such that there is no depreciation; everything has been depreciated in the past.

President.—Therefore you do not take any depreciation into account?

Mr. Savon.—We don't have to now.

President.—You can carry on indefinitely in that way if you don't want to make any profit?

Mr. Savon.—Of course we have such items of depreciation as relate to replacement of plant and machinery.

Dr. Matthai.—What is the lowest price you have touched so far in Calcutta since the war?

Mr. Grezoux.—Rs. 52 so far as I know.

Dr. Matthai.—How long ago was that?

Mr. Grezoux.—I think it was in 1925.

Dr. Matthai.—How long did that price rule that market?

Mr. Grezoux.—I don't remember, but not very long I think.

Mr. Mathias.—Can you give us any idea of the average freight from Port Said to Calcutta?

Mr. Savon.—12 shillings a ton, which is about Rs. 8.

President.—Your f.o.b. price would be about 15 shillings?

Mr. Savon.—Yes.

President.—That is about Rs. 10 per ton.

Mr. Savon.—That is the price I give you but I don't say that it is my cost price!

President.—I want a figure that is near enough.

Mr. Savon.—I quite understand.

President.—You are not an applicant company so I cannot expect you to give me your costs but if I make a mistake you suffer by it.

Mr. Savon.—Cost varies very considerably from year to year.

President.—It does vary and it is precisely for that reason that we cannot exactly say what your costs are. In case we decided to protect the Indian industry we shall have to adopt a course which would make the industry safe whatever your costs are.

Mr. Savon.—Quite right and I don't think we foreign salt companies can say anything against that. You are perfectly entitled to protect the Indian industry; that is my personal opinion. The only thing I particularly wanted to point out was that if the local industry is not in a position to supply the whole of the Indian market it would not be to the interests of India to destroy the foreign industries too soon.

President.—We don't contemplate that but we can't protect you against competition amongst yourselves.

Mr. Savon.—I know that.

President.—It is for that reason I was asking you just now what would be the price that you would be prepared to quote. One of the schemes we are considering is this, that imports would cease except under license or except by Government or by an authorised agency. The idea would be to supply India with as much of Indian salt as can be got in India at a price which we considered reasonable and then the rest of the requirements would continue to come from outside India. But obviously if the industry in India succeeds the imports would get more and more contracted.

Mr. Savon.—Naturally, but in the meantime it would of course be very useful for India to still have those other sources at her disposal.

President.—In what way do you suggest this can be done except by allowing everybody equal liberty of coming in?

Mr. Savon.—I was wondering whether you could not apportion between these sources of supply the quantity which you required in excess of what you can get in India, and thus give a chance to everybody to live.

President.—The trouble is this that in that case we have got to select between countries.

Mr. Savon.—No. I think you can select those sources which have been supplying India for many years and therefore to a certain extent have rendered service to India where the quality of their product is well established and apportion between them.

President.—It is a very difficult thing.

Mr. Savon.—It may be but on the other hand.....

President.—Government will be charged with a sort of favouritism between countries or between works or between importers and others and you will no doubt realise that it is a very difficult thing to do. Even in India amongst Indian manufacturers we should find it very difficult to distribute the quantities though it may be assumed that there will not be so many works, but if we are called upon to apportion quantities which will diminish as the Indian supply increases the position becomes extremely difficult.

Mr. Savon.—It seems to me that in view of the evidence you have had you can easily find out which are the salt works who are entirely dependent on this market and if the apportionment is made between them it would be quite fair. Others can live without India.

Dr. Matthai.—As far as India is concerned the fairest thing to the country with regard to sources of production outside India is to get its supply from whichever is the cheapest source, is it not?

Mr. Savon.—Obviously and the cheapest sources would be those which are entirely dependent on this market.

Dr. Matthai.—Supposing India desired to get as much of its salt as it couldn't produce in India from abroad on the basis of competitive tenders without any allotment whatsoever between yourselves, would it not be the fairest thing to the country?

Mr. Savon.—It may appear on the surface to be the fairest thing for the country but if in the following year instead of having four or five sources to apply to you find only one alive, the first tender having gone to that one, and the others having consequently been killed, will it be fairer to India?

Dr. Matthai.—The position at present is that there are several new works being started.

Mr. Savon.—They entirely depend on this market.

Dr. Matthai.—Considering the large number of sources available now in the Red Sea do you think there is a reasonable probability of India failing to get its salt supposing we have to indent from abroad?

Mr. Savon.—I think there is because as I say all these Red Sea salts are depending on this market. If you close the market what are they going to do? If we don't get the tender what are we going to do with our salt?

Mr. Mathias.—Is there any possibility of a combination between manufacturers in the event of a system of Government control of salt being introduced?

Mr. Savon.—I don't think so because the interests are too numerous.

Mr. Mathias.—It will have to be a fight for the survival of the fittest?

Mr. Savon.—Yes. We are not buyers and sellers of salt; we are producers. We have got to keep our pans producing salt and we have got to place our production.

Mr. Mathias.—How does the position differ from the present position? I understand the Salt Association in Calcutta has broken down and the market is open to free competition. All sources are competing in the open market and the supply is very much in excess of the demand and it appears to me that under present conditions you will have to cut your price very much.

Mr. Savon.—Yes.

Mr. Mathias.—The point is that under present conditions you are able, if you cut your prices, to get rid of your salt, but under the control system you might not be able to dispose of your salt. Is that your position?

Mr. Savon.—Exactly. The whole thing is a matter of production. Unless a salt business is worked to its full capacity it is not a paying proposition.

President.—Supposing we are not able to devise any means by which during the transitional period all the works can be kept alive, what it comes to is this, that India must be prepared either to pay a higher price for its requirements from abroad or to produce all the salt within the country.

Mr. Savon.—Yes. I don't think it means a higher price because I suppose you would call for tenders from Indian sources, you would not fix a price.

President.—We cannot do it as regards foreign tenders. Then certain works will go out and to that extent supplies will be curtailed and the prices may rise, anyhow up to a level which would keep those works alive, isn't that so?

Mr. Savon.—Yes.

President.—Which may mean the figure you have given just now or it may mean a higher or a lower figure.

Mr. Savon.—Yes.

President.—That is the risk involved.

Mr. Savon.—That is why I say that under the present system India is getting its salt at a very cheap price.

President.—The whole point is that India has not been getting its salt cheap except recently.

Mr. Savon.—It has in the past.

President.—Prices have been very much higher than they should have been and India would like to ensure itself against these fluctuations in prices.

Mr. Savon.—That was simply due to the fact that there were certain sources of supply which wanted to have a higher selling price in Calcutta. I was always opposed to that.

President.—You mean Liverpool salt. That appears to be somewhat the case. It worked to your advantage too; by allowing this high priced salt to remain in the market you were able to get a very much higher price than you would have got.

Mr. Savon.—Yes, but I did not want to.

President.—But the consumer has paid for it.

Mr. Savon.—I don't think he has. So far as I know, if the price is put up in Calcutta, the consumer practically pays the same price.

President.—The prices have been kept so far as the consumer is concerned at a level sufficiently high to keep the retailer on the safe side.

Mr. Savon.—That is right.

President.—The fact that the prices have not varied shows that they are higher than they otherwise would have been because the retailer is not going to take any risk.

Mr. Savon.—Even with the prices ruling in Calcutta during the existence of the Association the consumer did not suffer; it was the middle-man who suffered from it.

President.—That is what I mean. The point is this, that so far as the retailer is concerned he has kept his price at the highest level he could in order to safeguard himself against variations in prices.

Mr. Savon.—Yes.

President.—Therefore supposing Liverpool went up to Rs. 122, your salt would then be Rs. 117 and the retailer would generally keep his prices at that level so that whatever variations took place below that price he would benefit by it and the consumer would all along pay the same price.

Mr. Savon.—Yes.

Mr. Savon.—I believe at the present Calcutta market price the consumer is still paying the same retail price; it is the retailer who is making the profit.

President.—It is that feature of the thing which really raises all these complications.

President.—Whoever he is, his interest would be to keep the price more or less at a level which will always be high.

Mr. Savon.—Yes.

President.—Now we are coming to another point on which your opinion will be valuable. Would it not be better for the consumer as well as the trade that the quality should be standardised?

Mr. Savon.—I don't see how you can standardise the quality.

President.—You can in this way. You have table salt for instance and other white crushed salts and uncrushed salt. But within these limits we won't call them Liverpool, Hamburg or Spanish or any other quality. In the one way in the second category we won't call it Port Said, Aden or any other salt and the price of each class will be the same. In that way it would be possible to reduce the prices generally.

Mr. Savon.—Yes, you probably could do that.

President.—Take Liverpool salt. I think I am right in saying that Liverpool is really the salt which fixes the price of other salts. That has been the case so far, has it not?

Mr. Grezoux.—Yes.

President.—Spanish salt fetches a little higher than yours, but the bulk of the salt is yours and Aden. You get a higher price than the Aden salt. In the Aden salt itself there are differences. These differences do not appear to me to be worth preserving.

Mr. Savon.—I don't know who has established them.

President.—The middleman obviously. What he does is this. He keeps two qualities. He keeps Liverpool and he keeps Port Said and Aden. If a man wants to buy Liverpool, he will say 'I want Rs. 122. If you want this other salt, I would sell it at Rs. 120'. It may be a couple of rupees higher than it ought to be and so on. Do you think that there would be any difficulty in standardising the qualities? The quality is very largely determined by the colour and the grain. Uniformity of grain can be produced as regards all the salts.

Mr. Savon.—Yes.

President.—Here you have got your salt which has got better grains than some of these other salts. Could you convert it into the quality of No. 29?

Mr. Savon.—Yes.

President.—Would it cost you much more to produce that grain?

Mr. Savon.—There is not very much difference.

President.—I suppose it is merely a matter of milling very largely.

Mr. Savon.—Yes.

President.—Provided of course that it is free from certain other chemical impurities.

Mr. Savon.—Yes.

President.—Then you get any grain you like.

Mr. Savon.—Yes.

President.—You will find in the bazaar generally Port Said would be distinguished not by its colour. The other salt may have the same colour, because your mill is known to them. They know that your quality has certain grains. It is that which gives Port Said salt a particular place in the market. Practically we see no point about it at all.

Mr. Savon.—The only point is whatever the regulation, can you prevent it.

President.—There is nothing to distinguish the two if the grains are similar.

Mr. Savon.—It seems to me difficult to prevent the retailer who is generally a money lender as well from playing with his buyers.

President.—His principal means is that at present.

Mr. Savon.—Yes.

President.—He has got two principal means. He has got the high priced Liverpool salt and secondly this grain and he makes use of both.

Mr. Savon.—I suppose he can privately give a rebate.

President.—The whole point is if there is a big difference between two qualities of salt, he tells the consumer 'what is the good of paying Rs. 25 more for this salt.' He distinguishes your salt by the grain. It may be very advantageous to the middleman, but it is really of no advantage to the consumer.

Mr. Savon.—I don't think it is.

President.—Supposing Government wishes to purchase from you, will th be any serious objection to that?

Mr. Savon.—No.

President.—Do you think you will be able to comply with the conditions?

Mr. Savon.—Yes, because this is the quality which we send usually to this market and it is the one that always seems to sell well. We have better qualities than that.

President.—It enables me to distinguish it from the other qualities.

Mr. Savon.—Yes, that may be. We have got a quality just as fine as this.

Mr. Grezoux.—That crushing is not even.

President.—There is difference in the process of crushing. It is more disintegration than crushing.

Mr. Grezoux.—We can crush like that.

President.—The whole point is if a standard is prescribed, it can be observed.

Mr. Savon.—Yes.

President.—The point is that there should be uniformity that as you know in Europe you would not go and ask any grocer 'I want Hamburg salt.' You say 'I want table salt'.

Mr. Savon.—I have not found that in the other markets. I find in the other markets that they distinguish between the various sources.

President.—Which market?

Mr. Savon.—Every market.

President.—In Europe is it so?

Mr. Savon.—In Europe it is the same thing.

President.—In Europe so far as I know they don't distinguish at all.

Mr. Savon.—I don't know about salt for food consumption. For the fisheries they always distinguish.

President.—That is quite a different thing. We are now dealing with ordinary salt for human consumption. In Italy for instance they have got only two or three grades. They have got table salt, white crushed and they have got the kurkutch.

Mr. Savon.—That is for human consumption.

President.—I want to know your opinion as an expert that there should be no difficulty at all about grain.

Mr. Savon.—We can produce any grain.

President.—Would it not make very much difference in cost?

Mr. Savon.—No, unless you want it to be almost like powder which would of course be very costly.

Dr. Matthai.—At about a rupee a ton, you would be able to do it.

Mr. Savon.—Yes, not more than that.

President.—Would the additional cost of crushing come to as much as that?

Mr. Savon.—It might, but not more. It all depends on the quantity. If you gave us a small order for a finer grain, it might not pay us to do it for less than a rupee a ton.

President.—Would you be prepared to quote an f.o.b. price or would you insist on a c.i.f. price or is it all the same to you?

Mr. Savon.—I think that if there was any likelihood of the freight dropping, I would quote a c.i.f. price, otherwise not.

President.—You must make up your mind before that.

Mr. Savon.—I am simply talking as a business man.

President.—I suppose you would have no serious objection to one or the other.

Mr. Savon.—No. So long as the f.o.b. quotation is covered by the usual charter terms—relating to loading conditions—

President.—That must be arranged. Supposing you are accustomed to ship so much, then arrangements will be made for the ship to arrive at a particular time with reference to your own convenience. That of course is assumed.

Mr. Savon.—Yes.

President.—What arrangements would you prefer? You say that you don't want this one year arrangement. Would you rather quote from month to month?

Mr. Savon.—If salt is going to be bought exclusively by you without any apportionment of any kind, we would have rather the two or three months system but I am asking for apportionment if possible.

President.—It all depends on who comes in. Supposing we wanted 100,000 tons and everybody tendered for it, then the proportion might be very small.

Mr. Savon.—I know, but it is better than nothing.

President.—There may be 15 firms. They may tender for 100,000 tons and each may get 6,000 tons. You would rather take it than the risk of losing an order for the whole year.

Mr. Savon.—I would rather do that if it is for two or three months and then see what happens afterwards. It would keep me going for some time. Though I don't think I could last long under such conditions. I don't think anybody could.

Dr. Matthai.—Are there any British Companies operating in the Red Sea outside Aden except yourself?

Mr. Savon.—Not that I know of.

Dr. Matthai.—What about Sudan?

Mr. Savon.—That is a new Company. They are not operating yet.

President.—It is going to be started?

Mr. Savon.—Yes.

President.—Which market has it got?

Mr. Savon.—India.

President.—I was told that it has a market in Africa.

Mr. Savon.—The only Red Sea Salt which has a real market in Africa is D'jibouti.

President.—Where does Egypt get its salt?

Mr. Savon.—From Alexandria.

President.—Where does Tunis salt go?

Mr. Savon.—Goes up to the Adriatic mostly I believe.

President.—Sometimes it does come here too.

Mr. Savon.—Yes. I don't think under present conditions it can compete.

President.—Supposing Government doesn't take any action, what is the position as regards the Calcutta market? Is it going to remain in its present condition?

Mr. Savon.—I think it will be simply a question of supply and demand, such as it was before the Association came into existence. I don't think that the prices ought to vary very much.

President.—That is to say it would remain at the lowest level.

Mr. Savon.—It might.

Dr. Matthai.—You mean the present price is about the lowest.

Mr. Savon.—Yes.

President.—What about the new works?

Mr. Savon.—I think I can live longer than they can under ordinary free conditions.

President.—There is the development of these works.

Mr. Savon.—My impression is that prices in the Calcutta market will probably remain at the present low level on account of this new competition. They have got to get rid of their salt. I may be mistaken, but that is the way I look at it.

President.—I see that you have increased the difference between the *ex*-golah and the *ex*-ship price. It is about Rs. 5 now.

Mr. Grezoux.—Yes.

President.—It used to be Rs. 3 before.

Mr. Grezoux.—During the time of the Association.

Dr. Matthai.—It was formerly Rs. 7.

Mr. Grezoux.—It ought to be Rs. 7.

Dr. Matthai.—Is the difference between *ex*-ship and *ex*-golah price likely to go up to Rs. 7?

Mr. Grezoux.—I think it is.

President.—The idea is that when prices fluctutate so much, you have to take more salt into the golah and keep it in stock because otherwise you may have to sell it at any price that you may happen to get then.

Mr. Grezoux.—It always pays us better to sell it *ex*-ship, because we get ready cash for it.

President.—Yes, you are doing it in order to get a better market.

Mr. Grezoux.—The stocks in the golahs are all finished. The idea of putting the three rupees difference was this. At the time when we had a difference of Rs. 7 everybody was trying to sell as much as possible *ex*-ship and everybody had some balance which went into the golahs. The result was that we all accumulated stocks. In order to induce people to buy *ex*-golah we brought down the difference to Rs. 3.

President.—Now, the stocks are all practically exhausted.

Mr. Grezoux.—Yes, and we are gradually gaining back the difference.

Mr. Mathias.—The *ex*-ship sales were for sending the salt upcountry by the river.

Mr. Grezoux.—Not necessarily.

Dr. Matthai.—What you say is that the difference between *ex*-ship and *ex*-golah is likely to vary according to the stocks in golahs.

Mr. Grezoux.—Yes.

Mr. Savon.—All these prices are not made by us. They are established by the brokers much in the same manner as is done on the share market.

President.—You are entirely dependent on brokers for prices.

Mr. Savon.—Entirely.

President.—These will be determined according to stocks at the time.

Mr. Savon.—Yes, and it also depends on the position of the broker himself in the market.

President.—You ship your salt direct to your agents in Calcutta.

Mr. Savon.—Yes.

President.—They work on a commission basis.

Mr. Savon.—Yes.

President.—They have no interest in the price.

Mr. Savon.—Yes. They have.

President.—What is the usual amount of commission?

Mr. Savon.—2½ per cent.

President.—On what?

Mr. Savon.—On the realised price.

President.—Do you ship your salt direct or are you doing it through a firm?

Mr. Savon.—We charter steamers and ship direct.

President.—On the arrival of the ship in Calcutta, you employ a broker.

Mr. Grezoux.—We have a broker all the time.

President.—Who pays him?

Mr. Grezoux.—That comes on top of our commission.

Mr. Mathias.—That is an addition to the *ex*-ship price.

Mr. Grezoux.—Yes.

President.—Your broker is merely a broker or a dealer.

Mr. Grezoux.—He is supposed to be merely a broker.

President.—I want to know what actually is the position.

Mr. Savon.—I think that the position is that he is also a dealer in some cases.

Mr. Mathias.—You say that the 2½ per cent. which he gets is an addition to the *ex*-ship price. Supposing the present price is Rs. 55?

Mr. Grezoux.—Out of Rs. 55 we pay the broker's commission.

Mr. Mathias.—So that it is really included in Rs. 55.

Mr. Grezoux.—It is payable out of the realized price.

President.—The brokerage is also included in the *ex*-ship price.

Mr. Grezoux.—Yes.

President.—What happens after that? So far as you are concerned, you only know the broker.

Mr. Grezoux.—Yes.

President.—You have nothing to do with the buyer.

Mr. Grezoux.—No.

Mr. Savon.—We get the names of buyers.

Mr. Grezoux.—They are all known buyers.

President.—Is there a different class of buyers from the broker?

Mr. Grezoux.—Those buyers are really brokers. They buy it from us and sell it to merchants upcountry. They are all men who have collected a little money. They generally buy the salt from us, keep it at the golah at our expense and sell it at the proper time. That is why I say the middleman makes the profit. We get the lowest price and he gets the highest price.

President.—What I understood you to say was this. You have a broker who is not a buyer.

Mr. Grezoux.—That is true.

President.—There is a buyer who may be a Marwari or some other man dealing in salt.

Mr. Savon.—Yes.

President.—Then, it is he who buys the salt and sells it.

Mr. Savon.—Yes.

President.—When he sells it, he may employ a broker.

Mr. Savon.—Yes.

President.—When he sells it, he may employ a broker.

Mr. Grezoux.—He does not employ a broker. He simply sells the salt against an order.

President.—The upcountry man has also got to have a broker in Calcutta who is what is known as a buyers' broker.

Mr. Grezoux.—He is the man who has the salt in his hands. He is the speculator.

Mr. Mathias.—Then, he acts in two capacities. First of all, he buys it from you and then acts as a broker to the upcountry man.

Mr. Grezoux.—Yes, he supplies it from stock.

President.—He will supply it from stock or will buy it from the bazar and supply it.

Mr. Grezoux.—If he has got any stock of the particular quality asked for, he will supply it from that.

President.—His profit may be anything between your minimum and maximum price to the dealer right up to the time till it reaches the consumer.

Mr. Grezoux.—Yes.

President.—The retailer would ordinarily try to sell at the maximum price.

Mr. Grezoux.—Yes.

Mr. Mathias.—As regards the speculator, if the market falls what does he do?

Mr. Grezoux.—He waits for a while, works out an average and often sells at the highest price.

Mr. Mathias.—On a rising market?

Mr. Grezoux.—He puts it further up all right. Whatever happens, he is on the safe side.

Mr. Savon.—I think that most of the trouble arises from that source.

Mr. Grezoux.—If we could supply the salt directly to consumers, it would be advantageous to them.

Mr. Mathias.—If we are able in some way to fix a single price—the speculator would automatically be eliminated. In course of time, the reduction in price would filter down to the consumer. The consumer has to pay the selling price now because it varies from month to month and the speculator has to be on the right side. Now if your price is definite there will be no room for speculation.

Mr. Grezoux.—That was the object of the Association.

Mr. Savon.—But we had not the power to do away with the speculators, various dealers, etc.

Mr. Mathias.—Supposing you had the power, how would you set about stabilising prices? Have you any idea?

Mr. Savon.—What price do you mean?

Mr. Mathias.—*Ex*-golah or *ex*-ship?

Mr. Savon.—You mean Calcutta prices.

Mr. Mathias.—What machinery will you devise?

Mr. Savon.—Some agreement.

President.—How would you pass on the benefit to the retailer? Eventually the man upcountry is the man who matters. Supposing he sent you his orders directly "send me so much at your fixed price," in that way you might be able to pass the benefit on to the consumer.

Mr. Savon.—The only way by which you can pass the benefit on to the consumer is to fix the price to the consumer.

President.—That is what I mean.

Mr. Savon.—I don't think it is at all practicable.

President.—You must fix the price to the wholesale dealer in the district and if that price is fixed, then the retailer eventually must fix his price with reference to the wholesalers' price. Supposing you were the only seller of salt in the Calcutta market, then the first thing that you would do would be to do away with all these brokers in Calcutta.

Mr. Savon.—I would say that the retail price is so much.

President.—You will say "My price is so much and the freight is so much." Is not that what you would do?

Mr. Savon.—Or it may be done the other way. Fix the price at which you wish to sell the salt, that is what you consider a fair price for the consumer to pay. Then, you do away with all the intermediaries.

Mr. Mathias.—How would you ensure that it would be passed on to the consumer.

Mr. Savon.—I don't think it can be ensured.

Mr. Mathias.—Getting back to the original point: supposing you were an Importers Association with full powers, how would you set about stabilising the price *ex*-golah say at Rs. 75? What is the price at which the salt merchant in the villages or districts should sell?

Mr. Savon.—I would start from the districts.

Mr. Mathias.—I quite see that. What machinery would you use.

Mr. Savon.—I cannot absolutely prevent any new business from coming in.

Mr. Mathias.—If you had absolute powers, even then you have no suggestions to make on that point.

Mr. Savon.—Unless an Association is formed among certain suppliers under the express condition that no other salt would come into the market, there is absolutely no other means of doing it.

President.—You can do it in two ways, but it will take a long time to do it. One way is you can have a uniform price throughout the country just as stamps and nobody will be allowed to charge more. The second way is this. Take any other article of common use like kerosine, matches, cigarettes, etc. What do they do? They see that their agents sell at a fixed price in the most important markets and when they find that an agent is playing the fool, they either change the agent or take other steps to see that he does not sell at any price other than the fixed price. Eventually all people come to know of it. You are living in Bombay and you know that the price of 555 State Express is Rs. 1-12. If a man is selling at Rs. 2, the Imperial Tobacco Company would be too glad to put up a shop next door and begin selling at Rs. 1-12.

Mr. Savon.—That means a selling organisation which none of us have.

President.—That is the point. A selling organisation can do it.

Mr. Savon.—Obviously.

Mr. Grezoux.—With salt it will be difficult. Supposing for instance you have a shortage of freight and there is no more Port Said salt?

President.—That is only temporary.

Mr. Grezoux.—We sell our stocks to our middlemen. Nothing prevents him from making twice as much as he should. That was what happened during the war.

President.—When you have a sales organisation, if that happens, it will be set right at once. Supposing there is a shortage of petrol, as it sometimes happens, in some place the Oil Company will send the petrol to that particular place. It cannot last for long. There is somebody who takes care to see that a particular market has a certain amount of stock.

Mr. Savon.—If there is a selling organisation, which can go right into the country to almost the actual consumer, it will be all right.

President.—The first thing is to stabilise the price of the wholesale dealer in every port.

Mr. Savon.—Yes. It seems to me that instead of stabilising the price on the Calcutta market, it would be far better to stabilise the price to the consumer.

President.—In the district, you mean?

Mr. Savon.—Yes, at a rate that the Government considers to be a fair price for the consumer to pay. Cut out all the useless intermediaries and let the selling organisation buy freely on the Calcutta market.

Mr. Mathias.—Your idea is to fix the price to the actual consumer eliminating the unnecessary middlemen.

Mr. Savon.—Yes. At the present moment, the position is such that India can undoubtedly get very cheap salt.

Mr. Mathias.—Just let me be clear about your proposal. Your proposal is to stabilise the price to the consumer. You fix whatever you think is fair and allow the wholesaler his commission. You deduct the railway freight and eliminate all the middlemen. Having obtained what might be considered a fair price, you go to the Port Said people and say 'Supply the salt at this price'.

Mr. Savon.—I would not say that.

Mr. Mathias.—I don't understand how you would work your proposal.

Mr. Savon.—Let us take a figure, say Rs. 100. That is the price which the consumer would be asked to pay. Cut out the various intermediaries which now take away say Rs. 50. Then, the selling organisation can proceed to buy at anything below Rs. 50.

Mr. Mathias.—Supposing the selling organisation cannot buy at Rs. 50?

Mr. Savon.—That means that the price of Rs. 100 is too low.

Mr. Mathias.—That means you want to make a series of experiments.

Mr. Savon.—You have sufficient data before you now to know whether the price of Rs. 100 is reasonable or not.

President.—We will start now at this end, that is the buying end. Supposing you are the sole importers of salt, you know that you can under certain conditions, competition being eliminated, land salt at Rs. 50, and that is your price.

Mr. Savon.—Yes.

President.—You know that at Rs. 50 you can always supply that salt. Then you go on eliminating these middlemen. What you would then do would be to have your own agent or middlemen on commission and you will say to him "I will sell you this salt at Rs. 50; you have got to take it to such and such place, add these charges and sell it at such and such price. If you take more I will deprive you of your agency". He can't get salt from any other person and therefore the agent will stick to the price that you fix.

Mr. Savon.—I suppose he has still some means of obtaining salt.

President.—If a man wants to practise fraud you can't prevent him from doing it. I am talking of normal conditions.

Mr. Savon.—They never were able to check that during war time.

President.—Did you ever have to pay more than the price fixed for petrol?

Mr. Savon.—I think petrol cannot be compared with salt because its production is practically a monopoly.

President.—I am suggesting to you that here it works as a monopoly and your wholesaler cannot buy that article except from you.

Mr. Savon.—But the production of salt is not monopolised. I mean that you have got too much salt produced in the world for the demand.

President.—But we say in India we will take what we can get at the cheapest price and suggested Rs. 50 for the sake of argument. Nobody can buy that salt except from you at Rs. 50. Then can't the price be stabilised?

Mr. Savon.—Of course if you fix it that way.

Mr. Grezoux.—But who is going to take the trouble if the middleman is eliminated, of taking the salt out from the golas, pay the duty and clear the salt out and wait for their turn of delivery and lose interest on the duty. Who is going to supply the bags? Is it the manufacturer who is going to supply the agents with funds to pay the duty. The man upcountry won't supply him with gunny bags.

President.—We are not dealing with gunny bags. The man says 's me two wagons of salt' and this man sends it.

Mr. Grezoux.—Who is going to take the trouble of sending it?

President.—I take the trouble. I am the seller. The man says I v such and such quantities, please send. I say here is Rs. 50 for the p of salt, Rs. 5 for the price of bags, so much for freight and you take deli and sell it.

Mr. Grezoux.—Of course we have never got into touch with the consu

President.—It is for you to get into touch with the consumer. Supp you could get into practical touch with the consumer, would you not p it?

Mr. Grezoux.—Yes, then the market won't fluctuate.

President.—It is to prevent the middleman from getting hold o stocks by you yourselves controlling the stock and not allowing the pass into other people's hands that we are suggesting this. Is it n fact that because the middleman is able to get hold of the stocks speculation takes place?

Mr. Grezoux.—Yes.

President.—Therefore the first thing to do is to deprive him of the po to take possession of the stocks.

Mr. Savon.—Supposing there was one buyer in the Calcutta m and that this buyer be the organization to be formed a company Government organization or whatever it is, and that it is this organiz which will take up the transportation of the salt upcountry and fix the and so on, it seems to me that it is to the interest of the organization t a constant flow of salt coming into Calcutta in the same way as it to-day because it can then buy salt cheaply. I say let us ship it freely you buy it from us instead of we selling it to brokers and dealers.

Mr. Mathias.—At what price?

Mr. Savon.—At the Calcutta market price.

President.—Would you not then be at the absolute mercy of the market ing organization? Suppose your salt has arrived here and it says "we are over-stocked, we do not want any more salt".

Mr. Savon.—I should be entirely at the mercy of the stock position at present.

President.—It is supposed to keep sufficient stock, so that the quanti in stock does not affect the price from its point of view.

Mr. Savon.—The stock position is bound to affect the price because can't get the required shipments of salt just as you please and all deper on how the ships are coming in. Look at the stocks at the present mom

Mr. Mathias.—If you had no other purchaser except this organization suppose they say "we will have about 8 ships a month; we will offer so much a maund"?

Mr. Savon.—According to stocks in Calcutta I may or may not be inte ested in selling at that price.

Mr. Mathias.—If you don't accept, Aden salt may be bought.

Mr. Savon.—That is the position to-day, except that instead of selling a broker I should sell it to the organization who in turn will control the pri to the consumer.

President.—The whole point is this that the sales organization, if it really to be effective, cannot allow you to play with the stocks. It wi always see that it has got sufficient stocks so that you don't take advanta of that and put up the price.

Mr. Savon.—The sales organization is entirely protected against th because there are too many sources of supply and it is bound to always b enough stocks.

President.—The sales organization has got to buy salt.

Mr. Savon.—It can buy it in the Calcutta market.

President.—It is the only purchaser in the market.

Mr. Savon.—I know.

President.—Then how are you better off?

Mr. Savon.—I don't say I am better off than at present but I am better off than if you call for tenders.

President.—I just want to understand what the position is. The sales organization says it requires so much salt; it must let the manufacturers know what its requirements are and then it must buy the salt as it requires or at stated intervals or for a period, but it must come to the market and say "we want so much salt". It can't wait until the salt arrives.

Mr. Savon.—At the present moment no one waits until the salt arrives.

President.—It is not an ideal arrangement except from the middleman's point of view!

Mr. Savon.—The object of the sales organization is to weed out the middleman.

President.—And stabilise prices.

Mr. Savon.—It has not got to stabilise its buying prices.

President.—No, but the selling price it has to stabilise. The buying price does not stabilise except as regards the produce of the Indian manufacturer. If the Indian producer was not concerned at all we shouldn't have been enquiring into this. His salt must be purchased and his price is stabilised. There is no intention of stabilising your prices. I simply ask you which do you suggest would be the best way for the marketing organization and you suggest a quota. Would it not be better to purchase the salt in the open market?

Mr. Savon.—That is what I say—

President.—You object to offering tenders because you say you might lose the tender for a whole year and that is objectionable to you.

Mr. Savon.—That is the difficulty.

President.—The next thing is, the marketing organization goes to the market from time to time and says it requires so much salt, and it takes the quantity at such prices as is offered to it.

Mr. Savon.—Yes. It may buy the quantity at such prices as are ruling at the time in the Calcutta market.

President.—There is no Calcutta market then at all.

Mr. Savon.—I think it would be to your advantage to retain that market.

President.—The moment the marketing organization is in control at the other end how can there be a market? You will not be able to sell in the open market; you can only sell to the marketing organization. I am asking you which would be the best way from the point of view of the consumer? Do you propose that you will bring the salt into the Calcutta market where only the marketing organization is able to buy it?

Mr. Savon.—Yes—Don't prevent me shipping to this market and my production does not have to close down. I can still ship to India so long as I know you require salt.

President.—You ship into this country and keep it in bond?

Mr. Savon.—Yes, until you require it.

President.—There is nothing to prevent you from doing so.

Mr. Savon.—You said I would not be allowed to ship into this country and you would only call for tenders now and then.

President.—I simply meant that you would not be allowed to sell in country except through this agency. There will be no objection to your ping the salt to India. You can keep it in stock if you like. It is q possible that some of the bigger companies might do it but it might incr the price.

Mr. Savon.—Yes. It is a very intricate problem. We are keeping certain number of shipping companies alive by shipping this salt to Ind If we are not allowed to ship here until tenders are called for, then if instance we don't get the tender and some other suppliers get the busin we can't keep these shipping companies going and our trade has helped keep outward freights from India low. There is a company whose ships coming regularly to Calcutta with our salt. They often come to us and us for salt to carry to Calcutta

Mr. Grezoux.—The more ships come with salt, the more ships there are which are free to take back cargo from Calcutta and allow reduced freight.

Mr. Savon.—The point is that there is at the moment over-production of salt in the world and it does not seem the time for any country to cut away from these numerous sources of supply. Owing to freight facilities and to this over-production India is now getting and is likely for a very long tim to get her salt more cheaply than any other country in the world. Is it rea in her interest to destroy these facts in order to be able to consume her o salt? Protection will only benefit those Indian interests which are concer with the production of salt in India and not India as a whole and wha that as compared to the general interests of the nation? These must viously be to obtain foodstuffs amongst which salt is of such importance, the lowest possible price. This is the case now as I have shown and t facts are governed by the general economic conditions of the trade which the best possible safeguard against any sudden change. All the scheme which have just been discussed all tend to destroy those economic conditio precisely at the time when they are working entirely in favour of India as whole.

President.—What about these two new factories on the Italian coast Have they materialised?

Mr. Savon.—One has. Assab has sent its first shipment to Calcutta.

President.—What is the position going to be? I understand prices are going to be reduced.

Mr. Grezoux.—They have sold their cargo at Rs. 55 to the best of my knowledge.

President.—So that there is a new manufacturer now coming into the market?

Mr. Savon.—Yes. It is entirely dependent on India and Ras Hafun i also entirely dependent on India.

President.—They are Italian companies?

Mr. Savon.—Yes.

President.—Are they working in conjunction with any Italian shipping company?

Mr. Savon.—No. I do not think so.

President.—Is there any truth in the suggestion that they are being subsidised by the Italian Government?

Mr. Savon.—I believe so. I think Ras Hafun had almost completed thei works when the works were destroyed and the Italian Government gave ther the necessary capital to rebuild.

President.—Can you manufacture throughout the year at Port Said, eve in the winter months?

Mr. Savon.—Yes, except for two or three months at this time of the yea

President.—Do you have to close down entirely?

Mr. Savon.—Our salt pans are not under production from the end of December to March because evaporation is not sufficient during that period

ident.—How far are your works from the sea?

. Savon.—Not a mile. They are right in the port.

esident.—Does the steamer come alongside?

r. Savon.—No. We have a private canal leading to the Suez ... and own lighters. The ship is loaded in the Suez canal. The dist... from works to the ship's berth is not a mile.

'resident.—You have your own lighterage,

Mr. Savon.—Yes.



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